

1.1 INTRODUCTION

Although the Bureau of Transport Economics (2000: 1) argues that seaports¹ are ‘essential for the operation of the Australian economy ... [affecting] ... cost structures, industry competitiveness and living standards’ the importance of seaports does not tend to be acknowledged by the Australian general public. Similar sentiments are expressed by Helmick (2001: 20) who refers to the ‘near invisibility’ of seaports to the general public in the United States (US) of America whom he claims are unappreciative of the key role of seaports as conduits enabling products to be available for their consumption. As Young (2001: 26) explains, seaports ‘affect almost everything that people come into contact with on a daily basis, yet seaports do not have the same recognition with the general public as airports’.

Rather than acknowledging the vital importance of the maritime sector to Australia’s economic performance, the general public has a tendency to associate negative factors with Australian seaports. Oil spillages, flags of convenience, and industrial disputation due to waterfront labour reform, are three contentious issues sensationalised in the media that effectively mask the positive contribution of seaports. For example, in 1998 the industrial dispute between Patrick Stevedores and the Maritime Union of Australia (MUA) captured the minds of the general public with scenes of employee lockouts, security guards with barking dogs, and arm-waving unionists (see Morris (2000) and Trinca and Davies (2000) for an analysis of the dispute). The media at this time focused

¹ Although Goss (1990a) explains that ports in fresh water rivers or lakes may have similar functions as sea-based ports, the focus of this study, as will become apparent, is on seaports due to Australia not having inland ports. Whereas it could be assumed that ‘port’ is an all-encompassing concept for those positioned beside the amount of literature that refers to seaports as being ports. For clarity within this thesis, and following the convention of Goss (1990a), a widely recognised international scholar in the area, the term ‘seaport’ is used for those ports that are sea-based.

on inefficient Australian waterfront practices and excessive payments received by the stevedores. Coverage such as this instils little confidence in the economic contribution of Australian seaports. It appears little has changed since 1968 when Bird reported that Australians take ‘little interest in their ports beyond condemning waterfront delays and labour disputes’ (p. 234). Thus, Bird’s (1968: 1) description of Australia appears to be as appropriate today as it was over three decades ago:

Australia is a maritime nation and scarcely knows it. An astonishingly high proportion of Australians live and work in the seaport capitals, and the Australian industrial machine relies on a great shipping wheel circling the continent serviced by specialized industrial port installations. Ports are the means whereby a vast inland is placed in contact with the rest of the world, and hardly any new developments within the interior can take place without a supporting development upon the coast. Australia is, after all, an island continent and almost all her trade must pass through sea gateways.

Although the general public and government in Australia and many other nations are seemingly unaware of the economic contribution and regional impact of their seaports (Helmick 2001; Hirst 2000, 2000/2001; Young 2001), research and the subsequent operational improvements of seaports have been occurring for many years. According to Palmer (1999), there has been a tendency for seaport research to have three major foci: a broad macroeconomic perspective, the efficiency of seaport facilities and operations, and the immediate connections between land and water. While Palmer (1999) does not provide further examples within each category of research, the three foci are used as a framework within this chapter to provide a brief overview of the range of seaport research conducted in more recent times.

Research included within the first foci, that is, the broad macroeconomic perspective, examines the economic purposes and contributions of seaports, the value of trade, and how the competitiveness of seaports can impact on a nation’s economy (see Goss 1990a; Haezendonck, Pison, Rousseeuw, Struf and Verbeke 2000; Sawiczewska 1992;

Sletmo 1999). For example, Goss (1990a) explains how having efficient seaports can raise the gross domestic product of a nation. Often this literature will extol the benefits of the seaport sector to regional or national economic development in terms of being an economic multiplier (Alderton 1999; Marti 1990). This may be in specific terms in relation to the employment impact of seaports (Musso, Banacchio and Ferrari 2000), or by broader community benefits detailed in numerous regional economic impact studies, many of which can be found on seaport websites. Notwithstanding the criticisms of regional economic impact studies as being primarily public relations tools (Goss 1990a), such was the interest by seaports to ensure a greater appreciation of their role within the community that the Bureau of Transport Economics (2000) developed a guide to preparing such studies.

The related and second foci listed by Palmer (1999) concentrates on the efficiency of seaport facilities and operations at a more micro level to improve their competitive positioning. For example, Malchow and Kanafani (2001) discuss the factors that influence seaport selection by shipping lines and other customers by applying a multinomial logit model. They, and others such as Teurelinx (2000), are attempting to model the contribution of various factors (such as sailing distance to the destination, inland distance to the seaport, sailing frequency and vessel capacity) to the overall attractiveness of a seaport. These researchers then suggest that seaports optimise their investment strategies towards improving these factors. Other areas of research on seaport efficiency include reviews of the operational/management structure and development of seaports via case studies, whether on an individual seaport basis (such as Beresford 1995; Chapman 1979a, 1979b), or at a regional/national level (for example Hilling 1987; Notteboom and Winkelmanns 2001; Ridolfi 1995; Valentine and Gray 2001).

The second foci also includes discussions on the issues of developing an appropriate mix of public ownership and privatisation as part of government reform as a means of increasing seaport efficiency and becoming more competitive (as in Baird 2000; Everett 1995; Everett and Robinson 1998; Juhel 2001; Mangan and Furlong 1998; Notteboom and Winkelmans 2001; Sawiczewska 1992; Winkelmans 2002). This issue is discussed in-depth in Chapters Two and Three. A growing subset of research is the impact of containerisation on seaport operations and efficiencies. This is often discussed in relation to redesigning seaports and providing new infrastructure (Heaver, Meersman and van de Voorde 2001; Helling and Poister 2000; Martin and Thomas 2001; Slack, Comtois and Sletmo 1996; Valentine and Gray 2001; Wotton 2001), and on the benefits of using information technology such as the internet and wireless communication (Frankel 2001; Helmick 2001). Similarly, the increasing size of cruise ships and its impact on seaport operations and infrastructure and subsequent choice as a cruise seaport is yet another important subset (as in Baird 1997; Marti 1990).

The third foci according to Palmer (1999), researches the immediate connections between land and water, including discussion on seaport infrastructure (Hilling 1987) and industrial matters (for example Ircha and Garey 1992; Morris 2000; Productivity Commission 1998). Although still focused at the micro level, this research tends to be more concerned with relationships both within and external to the seaport. Martin and Thomas (2001) for example, research the organisational and institutional relationships within container terminals (also see Heaver, Meersman, Moglia and van de Voorde 2000; Sletmo 1999), and others have examined the industrial relationships with employees, including stevedores (see Bureau of Transport and Communications Economics 1995b; Juhel 2001; Morris 2000; Trinca and Davies 2000). As seaports become more concerned with performing a linking role in the transportation chain,

research is emerging on how this relationship can be managed (for example, Heaver et al. 2000; Productivity Commission 1998) and facilitated by new information and communication technologies (as in Struijs 2001). Frankel (2001) for instance, in reviewing technological opportunities for container terminals, explains how new technology is enabling seaports to integrate cargo transfer into individual customer logistical requirements.

In the past, the above areas of research may have been sufficient, but now, dynamic changes occurring in seaports' macroenvironments are prompting a refocusing of seaport research to also include more management-related issues at both the macroenvironment and microenvironment levels. This view has been steadily increasing, as evident for example, in the changes to the United Nations Conference on Trade and Development (UNCTAD) mandates from 1964 to 1996. Cañamero (2000) explains that whereas earlier mandates focused on the seaport's supply side in terms of improving productivity processes, by 1996 the focus was on the demand side where the benefits of being customer-oriented received greater attention. However, as Palmer (1999: 1) suggests, there still continues to be 'an inclination to look out to sea rather than inland or to allow the dock wall to define the limits of investigation'.

1.2 REFOCUSING OF SEAPORT RESEARCH

Currently, management-related studies are a small proportion of seaport research. Issues contained within the three major foci mentioned in the previous section, still tend to dominate seaport research as is evident in the two major maritime-focused academic journals, *Maritime Policy and Management* and the *International Journal of Maritime Economics*. When seaport management is discussed, it tends to have an operational

basis (as in Palmer's (1999) second foci), or a corporate governance focus in relation to issues such as corporatisation and privatisation, or is concerned with managing the long-term sustainability of the seaport (as in Whitaker 2002). Examples within the latter point include environmental management, safety, security, and community consultation.

As seaports have become corporatised or privatised, some limited interest has occurred in organisational structures such as that by Valentine and Gray's (2001) global investigation and analysis of seaport management structures. This is not a new topic, for example Schmidt (1978) reviewed organisational structures of different types of seaports and made a number of recommendations of the activities that various departments should undertake. Yet, there appears to have been little interest until recently. Over two decades later, Juhel (2001: 141) drew attention to:

...cumbersome organisational structures, complicated lines of command, lack of incentives and accountability, outmoded management practices ... and ill-defined employment practices.

He claims these issues still exist in seaports, all of which require attention if seaports are to be more responsive to customer needs.

Financial management, as in most industries, also attracts attention. The Productivity Commission (1998) for example, in a report on the international benchmarking of the Australian waterfront, discusses finance within a chapter on seaport management practices and policies. In particular, the chapter focuses on the financial management issues of pricing, leasing, tendering, investment assessment, asset revaluation, funding, and taxation. However, within that same chapter, issues such as marketing, human resource management (HRM), or strategic management have not been included. In comparison to research highlighted under Palmer's (1999) three foci, there appears to be

much less research undertaken in the traditional management areas, which is unusual when compared with other industries.

Management-related seaport research could be described as being in an emergent phase. UNCTAD conducted a number of seminars, primarily during the 1990s, and published a series of monographs and seaport newsletters with a greater focus on seaport management issues (for example UNCTAD Secretariat 1992, 1993a, 1993b, 1995). Cañamero (2000) explains that through these communications with seaport managers, UNCTAD suggested greater attention to marketing, HRM, and strategic business planning, were necessary to improve operations. In addition, UNCTAD recommended that seaports become more market-oriented. Despite this attention by UNCTAD, seaport management issues until recently have only attracted minimal attention and little in-depth or empirical research.

Textbooks combining management issues with operational matters such as seaport design and development, cargo handling, seaport logistics and intermodal transport have recently become available. These textbooks devote chapters to issues such as finance, pricing, management structure, HRM, marketing and strategic management (such as Alderton 1999; Branch 1997). Roe (1999) for example provides discussion on management systems and marketing management in response to the changing macroenvironments of Poland and Germany. Other research focuses on potential strategies for seaports negotiating with the more powerful shipping companies (Heaver et al. 2000) and container terminal operators (Heaver et al. 2001), strategies for port authorities facing various competitive situations (Goss 1990b; Haezendonck et al. 2000; Sletmo 1999), the development of strategic planning for seaports (Ircha 1989;

UNCTAD Secretariat 1993b; Winkelmans 2002), as well as more specific strategies relating to pricing (UNCTAD Secretariat 1995).

A possible driver for the interest in seaport management research may be due to the increasing levels of competition created by the New Economy. According to D'Aveni and Gunther (1994), the emerging environment in which many companies must operate includes factors such as globalisation, an increasing pace of technological innovation, competition on price and quality, and deregulation within industries. They continue that these drivers of hypercompetition are resulting in price wars, the need to enter new markets to increase trade, and the creation of alliances with organisations that once were competitors. Like many industries, seaports also face a hypercompetitive marketplace created by similar drivers with similar outcomes. This is typified by Haezendonck et al.'s (2000: 69) observation that:

A large number of recent publications in the field of maritime and seaport management has analysed the fierce competition for market share among ports, port operators and port authorities. ...

As will be discussed in Chapter Three, macroenvironmental changes in relation to international trade, as well as industry specific issues such as containerisation, increasing ship size, greater investment in specialised infrastructure, and the growing market power of shipping lines are contributing to competition for trade throughput among seaports on a regional, national and international basis. In addition, competition is being further enhanced by government reform of the seaport sector that requires a commercialised approach to managing the seaport rather than relying on government subsidies.

1.3 PURPOSE OF THE RESEARCH

A decade ago, a major UNCTAD (1993a) report suggested seaport management need to become more aware of the benefits of undertaking marketing to combat the increasing competition within the sector. Leading seaports such as the PSA Corporation in Singapore have since instituted a mindset of being ‘customer oriented and market driven’ (Shipping Professional 1997: 20). There has also been a number of calls to encourage seaports to develop market-led strategies to offset the challenges of the hypercompetitive environment faced by seaports (for example, Branch 1998; Everett and Robinson 1998; Inoue 2001; Sea Freight 2001). For example, Notteboom and Winkelmans (2001: 243) explain that ‘a competitive market environment has forced ports to become more market-oriented’. This, they suggest is because seaports are becoming a ‘normal industry’ (p. 243) rather than operating under the protection of a government department. Thus far, both theoretical and empirical research on seaport marketing is only beginning to emerge and the important contribution of marketing for seaports appears yet to be fully appreciated.

The purpose of this research then, is to explore the extent of marketing being conducted in seaports. Although the literature (as discussed in Chapter Six) implies that little or no marketing is conducted by seaports, empirical data does not appear to be available to confirm or deny this assertion. Given the hypercompetitive pressures facing seaports, and the recent seaport reform in many countries requiring a commercialised approach to managing seaports, the development of marketing could be beneficial.

The seaports investigated for this research are those within Australia. Australia represents an interesting example of seaports due to the importance of shipping to this island continent. The significance is evident when it is considered that 99.88 per cent of

international trade by volume and 72.92 per cent of international trade by value arrives and departs Australia via seaports of varying sizes (Bureau of Transport and Regional Economics 2002b). In addition, Australian seaports are also facing increasing levels of competition among themselves, with international seaports, as well as from other modes of transportation such as road and rail. The result is diminishing captive trade as hinterland barriers continue to blur forcing seaports to compete for trade throughput.

Thus, the primary research question (PRQ1) for this study is to determine:

PRQ1 What marketing activities and strategies are appropriate for Australian seaports in the New Economy?

To answer PRQ1, two subsidiary research questions are also addressed. Firstly, it is necessary to establish the current state of marketing efforts in seaports. As some seaports may have an informal approach to marketing or may not have formulated any marketing strategies, an investigation of marketing activities is initially required to assist with determining whether marketing strategies are being developed (informally or formally) and implemented. It is anticipated that this investigation will also involve determining seaport management's understanding of what is meant by marketing. Thus the first subsidiary research question (SRQ1) will determine:

SRQ1 What marketing activities and strategies are currently being practised by Australian seaports?

The marketing-related activities and strategies will then be analysed to determine whether they are relevant to service businesses. As will be explained in Chapter Five, this distinction is of importance if one is to heed the recommendations of researchers that marketing a service business requires further considerations than that of businesses

marketing physical products. As seaports are recognised as being providers of services, it is reasonable to expect that services marketing concepts and practices are being utilised.

The second subsidiary research question (SRQ2) seeks to determine whether the marketing activities and strategies used by Australian seaports are relevant to this service-based sector of the maritime industry. Various models and marketing considerations exist for the marketing of goods and services within different industries. For example, within the maritime industry, researchers such as Hewitt (1998) suggest that a different marketing approach is required for fast ferries. Thus, the second subsidiary research question (SRQ2) investigates:

**SRQ2 Are current seaport marketing activities and strategies
relevant for successfully marketing Australian seaports?**

The basic thesis of this research then, is that marketing is becoming a necessary seaport management activity due to changes in the macroenvironment and the effects of hypercompetition. This research will explore the marketing of Australian seaports in an holistic manner in terms of the range of activities undertaken and whether marketing is managed in a strategic fashion appropriate for service businesses.

1.3.1 Proposed contribution of the research

There are a number of contributions this research proposes to offer. First, as the literature on the marketing of seaports appears to be in an emergent phase, this research may assist in accelerating the understanding of what is meant by seaport marketing through empirical research. Second, the research will highlight how the marketing of seaports differs from marketing in other industries, thus challenging pre-conceived

notions of strategies that could be utilised by seaports. Third, the research will draw attention to seaport marketing strategies for the purpose of discovering criteria for the development of the successful marketing of Australian seaports. This may enable best practice marketing strategies to be identified that are predictive of success for Australian seaports as well as suggesting whether a marketing approach customised for seaports should be developed. Besides assisting Australian seaports on an individual basis to become more competitive, the criteria may enable Australian seaports as a whole to be able to compete more effectively against other regions of the world by drawing attention to their collective competitive advantages.

1.4 THESIS STRUCTURE

The thesis follows a conventional structure with the current chapter establishing the purpose of the research and explaining the primary and subsidiary research questions. Chapter Two addresses both the international and Australian economic contribution made by seaports and outlines the importance of this sector of the maritime industry to the economic development of countries. The chapter also examines the characteristics and activities of Australian seaports to assist in establishing how competition is increasing the challenges facing seaports in Australia (and indeed the world) and highlights that marketing is being sought as a means to increase the individual competitive advantages of seaports. Chapter Three continues this theme by explaining how the New Economy in general has impacted on seaports worldwide by increasing national and international competitive pressures. Techniques used by seaports to address competitive pressures are discussed including the benefits of introducing or increasing focused marketing efforts.

Chapter Four explains the value of organisations in general adopting a market orientation, which is then discussed in the context of seaports. Comparisons are made between the emergence of seaport marketing and changing business philosophies. Before discussing the intricacies of seaport marketing, an initial review of major studies is undertaken to determine firstly the extent of conceptual and empirical research on seaport marketing and secondly, whether a particular approach to seaport marketing is evident. As services marketing principles appear to have relevance to seaport marketing, the marketing activities and strategies used by service businesses are reviewed in Chapter Five. Essentially this chapter provides a generalised benchmark of suggested strategies and activities explored in relation to their relevance for seaport marketing.

In contrast to Chapter Five that discusses services marketing in general terms, Chapter Six focuses discussion on specific seaport marketing activities and strategies reported by researchers and practitioners. This chapter seeks to establish any consistencies or divergences from the services marketing activities and strategies discussed in Chapter Five.

Chapter Seven proposes the research design and methodology to undertake empirical research on the marketing activities and strategies of Australian seaports. This involves explaining the appropriate data collection method suitable for undertaking a census of Australian seaports, and using an instrument with questions grounded in the literature that emerged from Chapters Two to Six, which will address the primary research question and the two subsidiary research questions

Chapter Eight analyses the collected data and reports on the profiles of respondents and their seaports, and the impetus for seaports to begin marketing. Chapter Nine continues the data analysis by reporting on the range of marketing activities undertaken by Australian seaports. The purpose of Chapter Ten then is to discuss the extent of a strategic approach to marketing by Australian seaports, to consolidate material from previous chapters, and discuss the outcomes of the primary research question and two subsidiary research questions. Conclusions and limitations of the research, as well as proposed future directions for new research on seaport marketing, are addressed in Chapter Eleven.

CHAPTER TWO

SEAPORTS AS ECONOMIC ENABLERS

2.1 INTRODUCTION

As stated in Chapter One, marketing is suggested by a number of researchers as an effective means for seaports to compete in what Ircha (1989: 12) refers to as being a ‘turbulent operating environment’. In Chapters Two and Three, the seaport sector will be examined to gain an understanding of its role and the competitive forces the sector faces before discussing the application and benefits of marketing for seaports. The purpose of the current chapter is to provide a foundation that explains the role and activities of seaports and the importance of seaports to regional and national economies, and international trade in general. The chapter then narrows the context of discussion to the economic contribution of Australian seaports. In essence, this chapter sets the context of the industry sector to be studied and highlights the importance of seaports as an area of research. Chapter Three extends the examination of the seaport sector by focusing on the competitive forces faced by seaports operating within the New Economy.

2.2 SEAPORTS AS A LINK IN THE TRANSPORTATION CHAIN

Seaports have existed for centuries throughout the world as gateways between land and water. In the past, some seaports were merely safe refuges for ships from storms and piracy, whereas others, by today’s standards, offered little more than a passive land/water interface. As regional trade increased, seaports grew from being marketplaces to become a microcosm where people and cultures interacted for the purpose of conducting trade (Alderton 1999; Sletmo 1999). Palmer (1999) explains that these medieval seaports essentially provided a doorstep to the city, which evolved in the mid nineteenth century into gateways to not only the city but also the surrounding regions. For some seaports, the gateways expanded in the late twentieth century so

much according to Palmer (1999) that it was necessary for underpasses to be created where the flow of goods and traffic became unseen by the city. This was required to provide efficient intermodal transport to the growing hinterlands as seaports focused more on providing logistical connections for users. The evolution discussed by Palmer (1999) has not yet occurred in all seaports. However, the important role of the seaport still remains, whether in relation to the city, the immediate hinterland, or even into neighbouring countries that may or may not be landlocked.

In an extension to Palmer's (1999) final stage of evolution², today's seaports are recognised as being an important link in the global transportation chain (Branch 1997, 1998; Cañamero 2000; Craik 2002b; Helmick 2001; Musso et al. 2000; Productivity Commission 1998; Strandenes and Marlow 1999; Suyken and van de Voorde 1998), although some have expressed this view much earlier (Bolitho 1993; Goss 1990a; United Nations 1987). Pseudonyms such as transport interfaces, nodal links, modal interchanges, integrated transport centres and logistical service centres have emerged as descriptors to reflect the role of seaports in the transportation chain in linking commodities, manufactured products, and farm products to an end user (Bichou and Gray 2004; Bolitho 1993; Juhel 2001; Musso et al. 2000; Winkelmanns 2002). By becoming a link in the global transportation chain, seaports have become an important contributor to economic growth and essential to a country's successful trade development.

To facilitate and further stimulate trade, Juhel (2001) notes some seaports are extending beyond being commercial service centres to position themselves as logistical service

² Also see Sletmo's (1999) account of the development of seaports in terms of a life cycle.

centres. Seaports that provided office space, finance, and commercial contacts both within the country and in other countries, are now taking on a more much active role within the distribution network. Juhel (2001: 174) explains the seaports changing from a passive policy of providing services to actively promoting trade and transport are set to play a 'catalytic role' in developing logistical multimodal platforms. Frankel (2001: 8) takes this concept a step further by considering the addition of information technologies, such as electronic data interchange (EDI), in changing seaports from being 'a stand-alone inter- and intra-modal service supplier to that of an integrated focal e-logistics manager'. By becoming logistical service centres, seaports facilitate the movement of cargo (and in some cases passengers) from the sea to the hinterland and further inland to adjoining states and countries by rail, road, air or barge. Alternatively, cargo may be stored in the seaport, repackaged or processed before being transhipped elsewhere. Murphy's (1991) prediction from over a decade ago of a growing dichotomy between seaports that are essentially harbours operating as passive interfaces and seaports providing a link in the transportation chain appears to have been realised.

Although seaports may be emerging as logistical service centres, this is not always reflected in how seaports are defined. The focus of definitions tends to remain on seaports being an interface between the sea and the shore. Goss (1990a: 208), in a commonly cited definition, describes a seaport as being 'a gateway through which goods and passengers are transferred between ships and shore'. Many other definitions of seaports exist, a number of which are provided in Table 2.1 in chronological order.

Table 2.1: Definitions of a seaport

Author	Definition of seaport
Functional	
Weigand (1958 in Marti 1990: 161)	'Primary function of a port is to transfer goods and people from ocean vessels and vice versa'.
Bird (1971: 13)	'A seaport is best defined in terms of its function as a place where each-way exchanges between land and sea transport regularly take place'.
Stehli (1978: 205)	'The basic function of seaports consists in the provision of refuge to ships and in the facilitation of transfer for persons and goods'.

Goss (1990a: 219)	'The term seaport is used to cover an organized place where goods and passengers are exchanged between ships and the shore'.
Lewarn (1991: 31)	'A facility which handles trading vessels as distinct from fishing and leisure craft'.
Murphy (1991: 38)	'A multiproduct organisation with its main output or product being a transport modal interchange related to cargo being loaded onto or unloaded from ships'.
Peters and Cheslin (1998: 391)	'Quite simply, a port is a place where cargo is processed and the faster the cargo is processed, the more efficient it is'.
Taylor (1991: 7)	'Ports are the places to which ships resort to load or discharge their cargoes ... they are points of transfer between sea and land. They are also business organizations having related commitments and responsibilities'.
Suykens and van de Voorde (1998: 252)	'A seaport may generally be regarded as a gateway through which goods and passengers are transferred between ships and shore'.
Alderton (1999: 2)	'Seaports are areas where there are facilities for berthing or anchoring ships and where there is the equipment for the transfer of goods from ship to shore or ship to ship ... it is a ship/shore interface or a maritime intermodal interface'.
Bureau of Transport Economics (2000: xiii)	'...incorporates all activities that are required for the movement of commercial trading vessels, cargoes and passengers through the port'.
Helling and Poister (2000: 300)	'The term port usually refers to a nucleus of facilities, at least some of which are publicly owned or maintained, that provide berths at which vessels can load and unload cargo and/or passengers'.
Benefits provided	
Hoyle (1983)	(p. 1) 'A seaport is fundamentally a central place of economic and cultural interchange; more specifically, it is a place where the mode of transportation changes from land to water-borne systems. ... As a modern node in a multimodal system, the essential function of a seaport is transport integration ... a seaport may also become a major urban centre, an important source of employment, and an influential factor in regional and national development'. (p. 13) 'A seaport is an element in a global transport system, a servant of an international economic order, and a gateway to and from a national or regional hinterland'.
Hoyle (1999: 167)	'A port is, in a sense, largely a servant of the societies and economic systems within which it is located and with which it is connected, and its ability to respond to competitive stimuli may be constrained by the character of these links and situations'.
Palmer (1999: 2)	'Ports are not only interfaces between land and water. They are sources of national wealth, pride and concern. They are, or have been, points of interaction between cultures and peoples. But above all they are places: places have history and the past of a place affects its present'.
Role in transportation chain	
Faust (1978: 19)	'A seaport comprises a connecting point between sea transport and all forms of inland transport. The task of a port within the total transport chain from consigner to consignee is to provide a rapid, safe and economic link between sea transport and inland transport or vice versa'.
Branch (1997: 1)	'...a terminal and an area within which ships are loaded with/or discharged of cargo and includes the usual places where ships wait for their turn... Usually it has an interface with other forms of transport and in doing so provides connecting services'.
Frankel (2001: 7)	'Ports are no longer just the starting and end points of voyages, but are near seamless intra- or inter-modal transfer links where intermittent ship and more continuous lower capacity land or short sea transport services are integrated'.
Juhel (2001: 156)	'Ports are no longer simply a place for cargo exchange but are a functional element in the dynamic logistics chains through which commodities and goods flow'.

The large proportion of definitions tends to take a functional view of seaports in terms of them being an interface for transferring goods and services. These definitions may vary in the areas that are included within the bounds of a seaport, ranging from the immediate terminal or berth area out to the approach channel. Other definitions focus on the economic, cultural and societal benefits provided by seaports such as employment, wealth, trade development, and national pride. Definitions of seaports also tend to be commercially focused in that they refer to ocean-going commercial vessels rather than fishing fleets or recreational vessels, although many seaports may provide facilities such as marinas to service these vessels. Recently, some definitions (although Faust 1978 is an exception) make reference to the logistical function of seaports and their fundamental role in the transportation chain.

Overall, many definitions of seaports tend to be functionally based and focused on the initial maritime interchange between the ship and shore. The definitions tend to oversimplify the role of seaports in that the land-based logistical function does not figure prominently. The next section examines closer the various characteristics of seaports to gain an understanding of what seaports provide and how they operate. This in turn will provide the foundation detail for later chapters in relation to how seaports could utilise marketing.

2.3 CHARACTERISTICS OF SEAPORTS

The seaport sector is not standardised or homogenous (Bichou and Gray 2004; Stranden and Marlow 1999; Suykens and van de Voorde 1998). Instead there exists an enormous diversity among seaports that may account for the difficulties in achieving

a consensus in defining seaports. The more commonly cited differences among seaports, which are discussed in the following sections, are in terms of:

- objectives;
- range of activities;
- ownership;
- management and administration;
- operations;
- the market being serviced;
- geographic location;
- construction in terms of being natural or artificial;
- type of product moved through the seaport; and
- the number of users.

Many of the above characteristics are discussed within the following sections under the headings of seaport objectives, activities of seaports, seaport ownership and administration, seaport management, and seaport operations, as these may arguably impact greatest on the seaport.

2.3.1 Seaport objectives

Two main doctrines exist in relation to the objectives of seaports, the European and Anglo-Saxon approaches (Bennathan and Walters 1979). The European approach considers the seaport in terms of its contribution to the development of the region through its provision of infrastructure. These seaports are often subsidised by the government, whereas the Anglo-Saxon approach tends to describe seaports as being at

the other end of the continuum where the seaport is viewed as being self-sufficient with the objective of being profitable.

The tension between profitability and providing social infrastructure is evident in comments made by Goss (1976) and Smith (1982/83). Whereas Goss (1976) suggests the purpose of seaports is to be efficient in an economic sense, Smith (1982/83) advocates that for a seaport to be successful, efficiency by itself is insufficient; industrial development including regional employment and capital creation are also required.

The above views appear to have evolved into the objective for public seaports in particular to be 'concerned with serving trade efficiently as a means of maximising trade and economic benefits to the community' (Heaver et al. 2000: 369). This seaport objective is generally referred to as trade facilitation (Bureau of Transport Economics 2000; Carlson 1989; Hirst 2000; Juhel 2001; Productivity Commission 1998). However, trade facilitation by itself is not sufficient as an objective because, as the report of the Productivity Commission (1998) suggests, it can be achieved in an unprofitable manner by using low seaport charges to increase trade. Thus both the Industry Commission (1993) and Productivity Commission (1998) suggest that trade facilitation be undertaken in an efficient and commercial manner.

2.3.2 Activities of seaports

Seaports provide a diverse range of services. The literature often presents these services or activities as lists, some of which are extensive (see Alderton 1999; Baird 2000; Bernard 1995; Bolitho 1993; Bureau of Transport and Communications Economics 1988; Everett and Robinson 1998; Goss 1990a; Parliament of the Commonwealth of

Australia 1992; Port of Rotterdam 2001; Schulten 1991; Smith 1982/83; Somers and de Wilde 1997; Suykens and van de Voorde 1998; United Nations 1987). The UNCTAD Secretariat (1995) is one of the few that attempts to categorise seaport activities. They categorise the activities into three major categories:

- services to the ship;
- services to the cargo; and
- other services to users.

Ashar (2001) provides a similar categorisation to that of the UNCTAD Secretariat (1995) by referring to the trio of ship services, cargo services and administration services (instead of ‘other services to users’). An adaptation of Ashar’s categorisation, including activities discussed in earlier studies, is shown in Table 2.2.

Table 2.2: Categorisation of seaport services

	Basic Services	Auxiliary Services
Ship Services	Providing channels and navigation aids Maintaining channels and navigation aids Dredging Pilotage Towage Line handling Use of docks and berths Emergency response/pollution control Safe haven	Provision of stores Water, electricity and communications Bunkering Garbage removal Security surveillance for the vessel at berth Vessel traffic control Marine surveying Ship repair and maintenance Inspection, immigration, customs Lashing/unlashing boxes on-board Passenger terminal operations
Cargo Services	Handling boxes between ship and yard Handling hatch covers Use of shore cranes Handling boxes between yard and gate Intermediate storage of boxes (‘free time’) Pre-stacking and shifting boxes in the yard Inspection of boxes and equipment	Special handling - direct to truck, slings Handling empties between yard and gate Cargo processing and repackaging Arranging or providing intermodal transport Storage of boxes (beyond ‘free time’) Storage of bulk and breakbulk cargo Storage of hazmat and reefer boxes Control of dangerous goods Security and surveillance for cargo Weighing trucks and boxes
Admin. Services	Preparing dock receipts, location cards Preparing load lists, equipment inventory Monitoring maritime safety regulations	Preparing stowage plan and stability Preparing crane sequence Leasing - land, office space, warehouses Managing and developing seaport property Community use areas and tourism Coordinating marketing and promotions

Source: Adapted from Ashar (2001: 59)

● Of interest in Ashar's (2001) categorisation is the dichotomisation of basic and auxiliary services. Basic services are those that are necessary for offering a ship-to-shore interface, and auxiliary services tend to be specialised activities that may not be offered by all seaports.

2.3.3 Seaport ownership and administration

Considerable research has been undertaken on seaport ownership. Types of seaport ownership include national/state ownership, municipal ownership, public trust (or autonomous) ownership, and private ownership; all of which have been discussed in-depth elsewhere (for example, see Alderton 1999; Cass 1999; Meyrick 1984; Palmer 1999; Schmidt 1978; Smith 1982/83; Stuchtey 1991a). This terminology often tends to be British, US, or European focused. According to the Bureau of Transport and Communications Economics (1988), because of the role of State/Territory governments, Australian seaports use different terminology to reflect similar levels of ownership. Australian seaports usually operate under one of three administration or ownership forms:

- State/Territory government department administration of the seaport;
- statutory authority set up by State/Territory legislation; or a
- privately owned seaport.

In the past, Australian seaports were known as marine boards, maritime services boards, State/Territory government departments, or bureaus such as a Department of Transport or Department of Marine and Harbours. Ownership and administration by a State/Territory government department is now less common. Instead, the larger proportion of Australian seaports consists of statutory authorities that generally tend to

be port authorities³ in the form of statutory corporations or commercialised seaports (Bureau of Transport Economics 2000). The Productivity Commission (1998) reports that statutory corporatisations are created via incorporation under corporation's law as limited liability companies.

As in corporatisation, government retains ownership and control of commercialised seaports, but as Notteboom and Winkelmanns (2001: 245) explain, this is done 'in a business-like environment with some management autonomy and accountability'. Commercialised seaports tend to divide major activities into separate business units 'each functioning as an autonomous commercialised company with its own balance sheet' (Wotton 2001: 17). Each "company" charges others within the seaport for services and can go outside the seaport to the private sector to procure services via service contracts and performance agreements. The seaport may also require a rental payment from each of its "companies". In both commercialisation and corporatisation, government ownership is retained with the major difference being in relation to government control, which is very limited in corporatised seaports.

The majority of Australian seaports, although owned by State/Territory governments, are corporatised with the shareholders being two or more government ministers, often treasury and transport (Hirst 2000). Additionally, Australian seaports are required to pay dividends to the shareholders and taxes to the government but receive no government subsidies. The Productivity Commission's (1998) report on the Australian waterfront suggests that about 15 seaports in Australia are owned or administered by

³ To follow the conventions of much of the literature, even though 'seaports' may be used for clarity to differentiate between fresh-water (inland and lakes) and sea-based ports, the tendency in the literature is still to use 'port authority' rather than 'seaport authority'.

private companies under agreements with State/Territory governments. These seaports are generally dedicated seaports involved with petroleum and mining activities.

In essence, although the terminology worldwide may differ, three broad ownership models emerge from the literature - public, corporatised, and private seaports. Public ownership refers to seaports owned and in some cases managed by the government, whether this is at the municipal, State/Territory or national level. Corporatised seaports are still owned by the government but are managed by the private sector with a separate board of directors operating under similar accounting practices and legal requirements to the private sector (Notteboom and Winkelmanns 2001). The board also has the responsibility of developing commercial strategic direction. The government is usually the major shareholder via ministers who have limited direct control over the seaport. According to Hirst (2000: 5), this can place seaports 'in a more difficult position than they were before as they are neither a government department nor a genuine corporation'. However, as explained by a number of researchers (such as Baird 2000; Everett 1995; Hirst 2000; Ircha 2001; Mangan and Furlong 1998; Notteboom and Winkelmanns 2001; UNCTAD Secretariat 1993; Valentine and Gray 2001) there are a number of benefits of corporatisation to seaports. The benefits include the adoption of a commercial approach to managing the seaport, greater flexibility and efficiency in the seaport and the market, increased outsourcing of seaport services to the private sector to gain cost advantages, and becoming more customer-focused and market-oriented. In essence, trade facilitation becomes the key objective of these seaports. Governments may also benefit from corporatisation as a result of the reduced burden of seaport investment on the public sector.

The third form of ownership, that is by the private sector, may be gained via a long-term lease agreement or by outright ownership from the transfer of the seaport from the public to the private sector. Privatised seaports are still bound by government legislation that may impact on operations, but do not have direct government involvement (Productivity Commission 1998). As Baird (2000) and Notteboom and Winkelmanns (2001) explain, privatisation can take place on a number of levels from privatising an entire seaport, to a specific seaport operation. Also, they further note that privatisation can be in relation to a minority stake in a public seaport, a controlling interest, or 100 per cent ownership. Although privately owned seaports may include a fully integrated operation, often they tend to be directly linked to the export of a single commodity.

2.3.4 Seaport management

Some researchers such as Goss (1990b) suggest that the ownership of a seaport can be associated with the number of users of a seaport. For example, as explained earlier, single user seaports that are often dedicated to a single commodity tend to be owned by the private sector, whereas a large multi-user seaport may be owned by the government but managed by a corporatised port authority that leases its individual terminals and seaport facilities to interested parties. This arrangement is commonly referred to as being a landlord seaport due to the port authority's interest in leasing facilities by strategically managing the seaport's assets. The smaller multi-user seaports may be owned, managed and financed by a port authority with minimal public sector involvement.

When the term "seaport" is used in the literature it is not always clear whether this is referring to the seaport itself or the port authority. Everett (1995) simply refers to a port

authority as being an administrative agency. The Industry Commission (1993: xiii) also offers a broad definition of a port authority in Australia as being an 'agency responsible for control and management of a port and its facilities' that may be a public body. The definition is made more explicit where it is explained (p. xv) that:

A port authority provides services to a specific port or group of ports. As a minimum, it controls the use of the waters and lands within port boundaries; provides safe access and harbouring for ships; and plans, provides and allocates port infrastructure such as channels, breakwaters, navigation aids and berths. Port authorities which are limited to core activities such as these are said to follow the landlord model. But many Australian port authorities do much more - and many have both a facilitative and regulatory role.

Other uses of the term "seaport" may be referring to what is essentially a single terminal. A terminal is the facility within a seaport that facilitates the transfer of goods and passengers between the ship and the shore. In more accurate terms, Martin and Thomas (2001: 283) explain that a terminal extends beyond the berth, that is, 'from the quayside to include landside activities' generally for containerised and bulk cargo. Further, they claim that a terminal provides integrated activities and services for importers and exporters, transport operators and shipping lines. To add further complication to the seaport terminology, seaports may contain a number of terminals, some of which may be owned and managed by the port authority or leased or owned by private sector terminal operators that may include shipping lines. In some cases, terminals may be referred to as a seaport in their own right operating under the jurisdiction of a port authority. However, the usual situation is that the port authority has regulatory control within the seaport over terminal operators. This means that a port authority will have much wider responsibilities than terminal operators.

Besides having the primary responsibility of trade facilitation in terms of proactively attracting and moving cargo efficiently through the seaport to maximise economic

growth, the port authority has a secondary responsibility of ensuring its own efficient and effective internal financial performance for shareholders (Carlson 1989). This has become increasingly necessary with the corporatisation of port authorities. Other major responsibilities of port authorities, besides the activities shown in Table 2.2, are provided in a range of reports (such as the Bureau of Transport and Communications Economics 1988; Everett 1995; Everett and Robinson 1998; Goss 1990b; Industry Commission 1993) and essentially refer to administering and controlling seaport facilities, providing maintenance of seaport infrastructure and superstructure, levying and collecting fees and charges for services provided, and marketing the efficiency of the seaport.

In addition to financial planning, a port authority, depending on its ownership, may have a wider societal role (similar to the European approach) of providing services for the public good with little or no financial return. In some cases, these activities are known as community service obligations that attract a payment from the State/Territory government for providing facilities that the seaport would not normally undertake on a commercial basis (Industry Commission 1993; Productivity Commission 1998). If left to the private sector, services provided for the public good such as beacons, buoys, and navigational aids, might not be provided sufficiently or at all (Suykens and van de Voorde 1998). A port authority is also involved in developing and maintaining relationships with its stakeholders including employees and their unions, terminal operators, customers, government authorities, and the local community. In recent times, the relationship with the local community has increased in importance with seaports focusing increasingly on triple bottom line reporting in relation to financial, environmental and social performance (Whitaker 2002). The often crucial relationship with the local community is reflected in Whitaker's (2002: 10) view that:

The community gives us a “licence to operate”. This is not a licence based on a legal requirement: it is the community’s tacit willingness to allow us to operate. Our failure to meet community expectations for our performance could precipitate pressures for that “licence” to be taken away.

2.3.5 Seaport operations

Seaports can also be characterised by their level of operations based on the number of activities undertaken. Smith (1982/83) and Juhel (2001) for example, use the widely referred to terminology of service, tool, and landlord seaports. Whilst service seaports tend to own and manage all the infrastructure and provide the services with little need of outsourcing to the private sector, landlord seaports have a greater reliance on the private sector for providing facilities (such as cranes, warehousing, fences, vehicles) and labour. Landlord seaports instead focus on the core services of the ‘provision of basic port infrastructure such as approach channels, navigation systems, breakwaters, berth aprons, transport links and access to transport networks’ (Bolitho 1993: 8). Terminals may be leased or owned by the private sector and private investment within the seaport is encouraged to enable the seaport to focus on providing basic infrastructure. Tool seaports, according to Smith (1982/83) also own and manage the infrastructure and some facilities (or tools). However, he contends that tool seaports tend to exist somewhere between service and landlord seaports as they vary considerably in what facilities are owned and managed by the seaport and/or the private sector.

Smith’s (1982/83) terminology however, tends to be more European based and combines management and operational factors. The Bureau of Transport Economics (2000) in Australia, instead refers to four major categories of seaport operations:

- specialist bulk seaports;
- regional seaports;

- community seaports; and
- major multicargo seaports.

Similar terminology is also used by a major study of Australian port authorities undertaken by the Industry Commission (1993). The same four categories are used with the exception that the term “dedicated seaports” is used in place of specialist bulk seaports, and “integrated seaports” used instead of major multicargo seaports. Critically, the same meaning is attributed to the four categories by both reports.

In general, dedicated bulk seaports (or specialist bulk seaports) focus on one or two export bulk commodity operations, transfer little breakbulk cargo for the general community, and are more likely to be privately operated. These seaports generally have specialist infrastructure dedicated to each bulk cargo type and are located close to agricultural production areas or mines (Productivity Commission 1998). In the most extreme case, a private company may own or lease the seaport to provide only a single commodity for its own production and not involved in facilitating any other cargo.

Regional seaports are more likely to be government owned, and although dominated by a number of bulk commodities also provide facilities for general cargo that may include containers. Due to their location, regional seaports may also be central to a region’s tourism efforts by providing water-based recreational facilities such as marinas and cruise ship facilities (Industry Commission 1993). A much smaller version of a regional seaport is known as a community seaport. These seaports tend to service the business and domestic services of small communities in more remote locations.

Integrated seaports (or major multicargo seaports) tend to be capital or major city based and have high trade throughput, particularly in relation to breakbulk cargo and containers, although bulk commodities are also often handled. As they are usually managed as landlord seaports, integrated seaports offer a more diverse range of services and, as such, a broader mix of public and private investment exists.

As stated at the beginning of Section 2.3, there is enormous diversity among seaports, with various configurations of objectives, range of activities, ownership, management, and operations, all of which are continually evolving. An understanding of these characteristics and activities of seaports is useful in appreciating the important role seaports play in international trade. The following section discusses this role particularly in relation to the seaport sector's economic contribution firstly to the international economy and then, more specifically, to the Australian economy.

2.4 THE ECONOMIC CONTRIBUTION OF SEAPORTS

Seaports are recognised as being integral to a nation's transport system and essential to successful international trade (Branch 1998; Everett 1995). These views are supported by Juhel (2001: 156) who suggests seaports 'can be a crucial element' in developing the competitive advantage of a nation. According to Sletmo (1999: 14), landlocked countries have suffered culturally, technologically and 'are generally seen as severely handicapped economically' to the extent they are perceived as being isolated from the rest of the world. Given the pivotal role of seaports in a nation's development, Hirst (2000: 5) argues there is a:

...lack of recognition by governments of their [seaports'] importance and role in the national economy, as well as to state and regional economies, in terms of their direct and indirect employment and income generation function as a result of their trade facilitation role.

When it is considered that 90 per cent of international trade is transported by sea (Thanpoulou 2000), the view by Branch (1998) that modern seaports are essential to successful trade development, and hence to economic wealth and prosperity, becomes more evident. Many descriptors have been used to highlight the importance of seaports to international trade and individual countries, some of which are presented in Table 2.3.

Table 2.3: Contribution of seaports to the economy

Author	Descriptors of seaport's economic role
AAPA (2000)	(p. 1) '...act as catalysts for economic growth'. (p. 2) 'A healthy US economy demands trade, and growing trade demands the continued development of our ports'.
Bolitho (1993:8)	'...improving competitiveness and maximising efficiency'.
Branch (1998: 27)	'Governments worldwide realize modern port systems with infrastructure are essential to their successful trade development'.
Faust (1978: 23)	'Due to its different functions a port can be considered a principal force in economic development of an entire nation'.
Haezendonck et al. (2000: 107)	'In many countries, ports are now viewed as catalysts for the creation of economic wealth, i.e. as a key source of sustainable value added in the local economy'.
Hirst (2000/2001: 54)	'Ports have a focal role in the national, state and regional economies'.
Hoyle (1999: 167)	'A port can act as an economic enabler or alternatively as a serious brake on economic progress'.
Juhel (2001: 156)	'Modern and efficient ports are necessary and powerful tools for facilitating and fostering trade and development and more so at a time of globalisation of trade ... ports can be a crucial element in developing a competitive advantage for a country...'
Mangan and Furlong (1998: 349)	'Ports are critical nodes facilitating both trade flows and, to a lesser extent, tourism flows. Their operational efficiency and cost structures can thus have a considerable impact upon the performance of the wider economy'.
Palmer (1999: 9)	'Governments see seaports as engines for economic growth, foreign trade, regional revitalisation'.
Suykens and van de Voorde (1998: 253)	'...driving force behind economy, boosts the economy, enhance regional and social policies ... stimulate regional economic development'.
Wotton (2001: 13)	'Historically ports have been major drivers in countries' economic success and will continue to be so long as goods and people are moved by sea'.
Young (2001: 26)	'Economies grow because of the ability to trade internationally on a competitive level which is due to efficient port systems'.

Descriptors such as being a driving force and engine for economic growth all indicate the fundamental need for an efficient seaport sector and for the development of suitable government policies to encourage efficiency and growth. In addition, because seaports are but one link in an interdependent economic structure, for seaports to become more

efficient and competitive, linkages with other modes in the transport chain are required (Heaver et al. 2000; Hoyle 1999; Misztal 1999). Nevertheless, just as seaports can be economic enablers, Hoyle (1999) argues that inefficient seaports that are not actively facilitating trade may be economic retardants.

The following two sections discuss the economic contribution of seaports from two perspectives, firstly in relation to the international economy and secondly in terms of the contribution to a single country, Australia.

2.4.1 Contribution to the international economy

As transportation is a derived demand, Frankel (1987: 600) argues that the ‘demand for port services reflects the strength of the port country’s own economy and those of its international trade partners’. For example, Stranden and Marlow (1999: 1) explain that ‘Europe’s competitiveness in the global economy increasingly depends on an efficient and cost effective transport and port system’ particularly given that over 90 per cent of trade with other countries and 40 per cent of intra European Union trade moves through its seaports. Similar figures are provided for US international trade of which 95 per cent by volume and 75 per cent by value move through its seaports (AAPA 2000).

Globalisation and increased world trade is resulting in the steady growth of seaborne trade, which has recently been estimated as being over five billion US tons per annum (UNCTAD 2000). The importance of seaports to increased world trade is evident in a speech by Mahathir, then Malaysian Prime Minister, who in 1999 (Inoue 2001: 1) stated:

No matter how information technology advances, the world trade can not be materialised without ports. This is exactly why every country needs to develop much more advanced and efficient ports for its prosperity’.

It is not only the transportation of commodities and products through seaports that provide economic benefits. Marti (1990: 158) explains that the attraction of cruise ships to seaports can also 'ensure economic prosperity not only for the port, but also for the city and region around it' via tourist spending and the supply of fuel, water and supplies. An example of this economic contribution of cruise ships can be found in the research of Mescon and Vozikis (1985) on the Port of Miami.

Seaports provide many other benefits to countries besides being a link in the transportation chain. Seaports provide a boost to local employment levels both directly and indirectly (Goss 1990a; Hirst 2000/2001; Musso et al. 2000; Stuchtey 1991a; Suykens and van de Voorde 1998). For example, it is estimated by Hoyle (1999) that Mombasa Port in Kenya provides employment for almost 8,000 people. In this sense, seaports generate revenue that supports many regional communities.

2.4.2 Contribution to the Australian economy

Australia provides an interesting study of a country that is almost totally dependent on seaborne trade. In contrast to 90 per cent of world trade by volume moving through seaports, in Australia, according to recent figures from the Bureau of Transport and Regional Economics (2002b), 99.88 per cent of international trade in volume moves through its seaports, the remainder moving by air and mail. Interestingly the report shows mail as a separate category even though its carriage would rely on either sea or air transport. According to the same report, in terms of value, approximately 73 per cent of Australia's international trade is transported by sea (see Table 2.4).

Table 2.4: Australia's total international trade by transport mode

	Volume		Value	
	(million tonnes)	(%)	(\$ billion)	(%)
Sea	550,122	99.88%	182.3	72.92%
Air	644	0.12%	65.7	26.28%
Mail	1	0.00%*	2.0	0.80%
Total	550,767	100.00%	250.0	100.00%

* The percentage of volume for mail is 0.00018%

Source: Adapted from Bureau of Transport and Regional Economics (2002b)

In addition, because of the geographic spread of population around the coastline and inland, it is not surprising to note Bolitho's (1993: 2) explanation that the role of Australian seaports is to 'facilitate the commerce of the hinterland' and the nation. Over 600 million tonnes of cargo (international and domestic) per year move through Australian seaports in the form of exports (75 per cent), imports (9 per cent) and coastal cargo (16 per cent; Bureau of Transport and Regional Economics 2002a). As Bird (1968: 1) put it many years earlier, seaports are 'the means whereby a vast inland is placed in contact with the rest of the world, and hardly any new development within the interior can take place without a supporting development on the coast'.

Australia's largest exports by volume tend to be bulk products such as coal and iron ore; by value it is also coal, then petroleum products, cereals and meats; whereas the largest imports by volume are petroleum products and chemicals, and by value are machinery and road vehicles (Bureau of Transport and Regional Economics 2002a). In more general terms, dry and liquid bulk commodities, including raw and semi-processed products, farm produce and livestock are Australia's major exports accounting for 90 per cent of the total volume and 60 per cent of the value. Manufactured products, usually in containers, form the majority in terms of the value of imports into Australia (Productivity Commission 1998; Tanner 1998). Without seaports, Australia's economy would be crippled, as would many island nations. Transport by sea, given the relatively

isolated geographic location of Australia, tends to be the only cost-effective option for much of Australia's exports that are dominated by dry and liquid bulk cargoes.

The importance of seaports to Australia is reflected in comments such as seaports being integral to Australian transportation (Everett and Robinson 1998), necessary for the international competitiveness of Australian industry (Industry Commission 1993), and vital to Australia's prosperity (Tanner 1998). Similarly Bolitho (1993: 8) suggests the 'efficiency and effectiveness of our ports directly affects the efficiency and competitiveness of Australia's trade'. In a report by the Bureau of Transport Economics (2000: xi) on the regional impact of seaports, the following importance is attached to seaports:

Ports are essential for the operation of the Australian economy. They have a central role in the transport of Australian exports, which provide income and jobs for many Australians. Imports shipped through Australia's ports supply essential inputs for local producers as well as a wide range of consumer goods. ... The operation of a port generates employment and income for the local community, as well as flow-on effects to other local industries. In addition, all levels of government receive revenue from taxes and other charges on these activities.

As in other countries, Australian seaports also generate direct and indirect employment in local communities as well as income and taxes from charges for local, State/Territory, and Commonwealth governments (Bureau of Transport Economics 2000). For example, many Australian seaports, due to their ownership structures pay annual dividends from profits to their shareholders - the State/Territory government. The substantial dividends paid are noted with concern by Bolitho (1993), Hirst (2000) and King (1997a) because seaports may be seen more as "cash cows" by State/Territory governments that may impact on the development of the real purpose of the seaports in relation to trade facilitation. King (1997a: A.14) supports this view by citing one State

government minister's comments that 'ports are there to pay for hospitals and schools'. Further, Hirst (2000) explains that a disadvantage of corporatisation is the conflict between the short-term needs of State/Territory governments and seaports' objective of trade facilitation. Instead, he (2000/2001: 55) recommends that governments must gain 'a greater appreciation and understanding' of the contributory role of seaports to national, State/Territory and regional economic growth to ensure the focus on competitiveness and efficiency of international trade. It appears that Australian governments are not alone in utilising seaport revenues. Helling and Poister (2000) report that Californian State and local governments also use seaport revenues for government purposes rather than reinvesting in improving seaport facilities.

In relation to other countries such as the US and those within Europe, Australia's almost total reliance on seaborne trade may result in its seaports, and the maritime industry in general, being even more important and necessary to economic growth. Bird's (1968) observation of Australian seaports being the 'gateways to economic possibilities, past and future, based on the resources of a continent' still appears to hold true over three decades later.

2.5 SUMMARY

This chapter has explained that seaports are evolving from that of a passive interface between ship and shore to becoming an integral link in national and international transportation as logistical service centres. In making this transition, the characteristics of seaports are changing. Their operations are becoming more complex as users are requiring more services, yet, changes to ownership and management are being made that require more efficient operations and a greater focus on trade facilitation, all within

a commercial mindset. Managing a seaport is by necessity, becoming more business focused as it is transferred from the public to private sector. Although many governments may no longer have direct control of seaports, they still have considerable indirect influence through regulatory powers and a substantial interest in ensuring economic prosperity at local, State/Territory and national levels. In the case of Australia, the role of seaports is even more paramount with 99.88 per cent of import/export volumes moving through seaports to and from its vast hinterlands via rail, road and air.

The following chapter continues discussion of the seaport sector environment by focusing on the competitive pressures impacting on the management of seaports. The chapter explains how increasing levels of competition are a major factor in the emerging interest in marketing by seaports.

CHAPTER THREE

SEAPORTS IN THE NEW ECONOMY

3.1 INTRODUCTION

Whereas the previous chapter provided an overview of the seaport sector and its contribution to the international and Australian economies, this chapter examines developments within the sector that are challenging how seaports worldwide are managed. More specifically, the purpose of this chapter is to discuss the major competitive pressures facing seaports and the attempts being made to overcome these pressures to retain and/or increase market position. The chapter begins by explaining the impact of the New Economy on the seaport sector in an international context. In particular, the New Economy is discussed in terms of it creating a hypercompetitive environment that is being further intensified by government reform of the waterfront. This is resulting, in many cases worldwide, in the corporatisation of seaports and the encouragement of private sector investment and management.

The chapter also identifies other environmental changes such as the growth of containerised cargo, the growth of shipping lines' market power, and the increasingly contestable hinterlands as factors adding to the hypercompetitive seaport sector. Seaport management are attempting to address their market position within the environment of the New Economy through a number of strategies, one of which is suggested as being marketing.

3.2 SEAPORTS IN THE NEW ECONOMY

The information economy, network economy, digital economy, and knowledge economy is terminology that, according to Atkinson and Court (1998), is encompassed within what is commonly referred to as the New Economy. The New Economy tends to be characterised by technological improvements in transportation and communications,

deregulation and privatisation within industries, and the increasing use of mergers and acquisitions; all intensified by broader macroenvironment changes such as globalisation and lower barriers to trade (Atkinson and Court 1998; New Economy Information Service 2000). Although information and communication technologies are the basis for the emergence of the New Economy, the New Economy Information Service (2000) suggests that the most important feature is that of increasing competition, or as D'Aveni and Gunther (1994) put it, hypercompetition. As a result of hypercompetition and increasing competition on price and quality, price wars are commonplace. This is encouraging companies to seek new markets as a means to increase revenue, or to form strategic alliances with competitors in efforts to compete more effectively with larger and more powerful companies. As discussed in the next section, seaports around the globe are not immune from the effects of the hypercompetitive New Economy, often implementing strategies similar to those highlighted by D'Aveni and Gunther (1994).

3.2.1 The changing macroenvironment of seaports

The economic potential and other benefits of seaports to a country or region have resulted in a greater interest by governments in developing seaports able to attract larger cargo throughput. In the past, seaports could be built that were able to attract ships to a region with little or no effort because ships would travel to wherever there was cargo. Little consideration needed to be given to potential competitors. Sletmo (1999: 14) explains that these seaports, some of which once enjoyed monopolistic status, were 'conditioned to see themselves as magnets attracting cargoes'. In the movie *Field of Dreams*, the central character played by Kevin Costner repeatedly heard a voice insisting, "Build it and they will come". Similarly, some seaports have suffered from the delusions of the *Field of Dreams*. Whereas some seaports have reacted to customer requirements and market forces by altering terminals to accept larger vessels or creating

more efficient operations, the Field of Dreams-inspired seaports are left with decreasing vessel visits and excess capacity. Goss (1990a: 209) provides a number of examples of seaports that are now obsolete as a result of the ‘mistaken investment’, often incurred at the expense of taxpayers’ contributions.

Seaports now operate in a turbulent operating environment (Ircha 1989), intensified by the effects of the New Economy. In addition, there is a growing demand for exports and imports in the global marketplace. This is due to factors such as globalisation, the increasing use of regional trade agreements, trade liberalisation, and third world countries being opened up to international trade (Atkinson and Court 1998; Frankel 2001; Inoue 2001; New Economy Information Service 2000; Palmer 1999; Peters 2001; Struijs 2001; Suykens and van de Voorde 1998). As the volume of trade steadily grows, the importance of seaports to the global economy also increases because the vast majority of imports and exports must move through them. However, seaports can no longer rely on attracting trade merely by their existence. Instead, it is argued in this chapter that gaining an understanding of the changing macroenvironment and recognising potential competitors and partners is now necessary to provide a profitable and sustainable future.

3.2.1.1 Factors leading to increased competition

To enable the transportation of growing seaborne trade around the globe efficiently, containerisation is becoming more common (Peters 2001). Predictions of up to 90 per cent of cargo being transported by containers by the year 2010 (New Jersey Tide Center 2001) will continue to provide major challenges for seaports. To place this in terms of twenty equivalent units (TEU), Inoue (2001), the Secretary General of the International Association of Ports and Harbors, suggests that global container throughput of 188

million TEU in 2000 could grow to between 417 and 419 million TEU by the year 2012.

As a result of containerisation, the maritime industry is facing revolutionary changes. Seaports are discovering that unless a substantial investment is undertaken to cater for containerised cargo, their previous competitive advantage will be eroded. Peters (2001: 11) provides an example highlighting the extent of investment seaports require by comparing current container terminal requirements to those of the immediate future:

Today's terminal has a density of 100-300 TEU per acre; productivity of 30 moves per crane hour; container dwell time of six days; truck turnaround time of one hour; 36 feet of water depth; and area rail service. The specifications for tomorrow's terminals are: 1,000-2,000 TEU per acre; 50 moves per crane hour; three days dwell time; truck turnaround of less than 30 minutes; 50 feet of water depth; and on-dock rail.

Peters (2001) continues that investment is required if seaports are to remain competitive in the container market as the speed of container handling and ship turnaround times become crucial issues. The situation in Australia is no different. The Bureau of Transport and Regional Economics (2002) for example, suggests that major seaports in particular must now consider dredging longer and deeper berths and channels, investing in cranes with greater booms (now up to 66 metres in reach) to load and unload the larger bulk and container ships, and providing extensive storage areas for the growing use of containers. These requirements may become necessities in major seaports all over the world because shipping companies are now investing in larger ships as a means of optimising productivity across long haul trade routes. This is highlighted by the 1,000 to 4,000 TEU panamax ships that now pale in comparison with the existing 6,000 TEU post-panamax vessels and proposals for ships capable of carrying up to 12,500 TEU by 2015 (Hong Kong Shipping News International 2000). It is not just container ships that require added infrastructure, Baird (1997) for example, reports some seaports

are inaccessible to new generation cruise ships because of physical restraints created by increased vessel beam, length and draft requirements.

The larger ships and increasing use of containerisation are placing immense financial pressure on seaports that are competing for trade throughput in a period marked by decreasing profits and increasing capital investment. Slack et al. (1996) refers to this capital investment as a seaport paradox because the investment is a necessary requirement to remain competitive, yet, there is no guarantee of retaining shipping lines and maintaining cargo throughput.

Another result of ever-increasing ship sizes, particularly for container ships, is that larger ships will need to make less calls, and even then to only the larger seaports with sufficient draft depths and the necessary infrastructure (Ircha 1989; UNCTAD Secretariat 1993b; Whitaker 2002). This means that some seaports may no longer be included on major trade routes. Martin and Thomas (2001) for example, suggest that whereas breakbulk general cargo ships call at several seaports, the larger container ships may call on between one to three seaports around the world. As a result, in the case of the US, the New Jersey Tide Center (2001) predicts there may be only one major seaport on the east coast of the US. In Australia, the Bureau of Transport and Regional Economics (2002) explains how a 4100 TEU vessel, currently the largest containership serving Australian trade, is unlikely to call at a number of Australian seaports unless dredging occurs. These types of factors, according to Bureau of Transport and Communications Economics (1988) are intensifying competition among seaports resulting in the increased dominance of major capital city seaports such as Sydney, Melbourne and Brisbane. Major seaports such as these may be able to attract or have

access to additional capital funding and, with the resulting economies of scale, be able to provide the facilities necessary for larger vessels.

An outcome of the developing container network of major seaports is that opportunities may occur for other seaports to develop into feeder seaports served by smaller vessels transshipping containers to and from the major seaports, or they may focus more on becoming major bulk seaports (Bureau of Transport and Communications Economics 1988; Martin and Thomas 2001; Palmer 1999; Peters and Cheslin 1998; Slack et al. 1996). This hierarchy of seaports into hubs and feeders, due to increasing containerisation and round-the-world shipping routes, may develop by necessity rather than by choice. Where once ships used to travel to the cargo, now the cargo travels to the ship; providing further competition with neighbouring seaports (Alderton 1999). To access the market in a sprawling hinterland brings with it additional challenges of logistical systems that can manoeuvre efficiently through the city to and from the seaport, thus realising the position of seaports as a link in the transportation chain.

As for many other industries operating in a hypercompetitive environment, strategic alliances and mergers within maritime transportation are becoming more commonplace. This is particularly evident within shipping lines where alliances, such as the Global Alliance, Grand Alliance, United Alliance, and the New World Alliance, and mergers are increasing. This is another reason for the rationalisation of trade routes (Heaver et al. 2000; Slack et al. 1996). Seaports have to cope with the balance of power moving from them towards shipping companies that are now in more powerful negotiating positions (Heaver et al. 2000, 2001). For example, shipping companies are able to make greater demands for enhancements to seaport infrastructure and facilities to ensure they remain a seaport of call, particularly if the seaport is not in an optimum location

(Heaver et al. 2001; Inoue 2001; Palmer 1999; Suykens and van de Voorde 1998). What is clear is that larger ships, changing trade patterns and routes, and the subsequent requirement of specialised facilities for cargo handling, are all impacting on seaport management and operations (Haezendonck et al. 2000; Hilling 1987; Martin and Thomas 2001; Wotton 2001).

3.2.1.2 Government seaport reform

Changes to seaport ownership and governance due to government reform are also having an impact on how seaports are being managed and operated. Governments in many countries such as the United Kingdom, Canada, Ireland and Europe as well as Australia (see examples in Alderton 1999; Baird 2000; Everett 2003; Mangan and Furlong 1998; Notteboom and Winkelmanns 2001; Slack et al. 1996; Suykens and van de Voorde 1998) are attempting to rationalise the seaport sector. The major objective of the reforms tends to be to gain efficient and competitive seaports as well as reducing reliance on government funding (Everett 2003; Everett and Robinson 1998; Musso et al. 2000; Palmer 1999). For example, the private companies that now manage Canada's largest seaports are responsible for covering operating costs and small capital outlays from their revenue (Slack et al. 1996). In Australia for example, to accomplish the changes in ownership, many publicly owned seaports are moving through a process of first being commercialised, then corporatised, and in some cases privatised either by a complete sale or through a long-term leasing agreement (Bolitho 1993; Everett 1995; Everett and Robinson 1998; Palmer 1999).

A survey conducted by the International Association of Ports and Harbors in 1998 provides an example of the growing role of the private sector in seaports. The survey found that although the greatest proportion of the 188 respondent seaports were public

agencies or corporations, 32 per cent reported privatisation of seaport operations as occurring over the past two years with another 26 per cent expecting further privatisation to occur (Inoue 2001). In general, the survey found that major seaport assets were owned and maintained by the port authority, 25 per cent of the container and break bulk terminals in a seaport were owned by private companies, while assets in bulk terminal operations were owned equally by private and public sectors. Services such as stevedoring, pilotage, land transport and other shipping services also tended to be outsourced.

Despite the change in ownership moving towards the private sector, many governments still intervene in seaport administration (Everett 2003). The primary reasons for intervention are for reasons of national security and defence, national strategy (in terms of national economic development and providing services for the public good), and the prevention of privately owned monopolies developing (Notteboom and Winkelmanns 2001; Suykens and van de Voorde 1998). This is a reason why Bolitho (1993) and Inoue (2001) recommend that governments retain ownership, but not operations of seaports by using statutory corporations because fully privatised seaports in monopolistic positions may not benefit exporters and importers or the interests of the local community. Similarly, in Australia the recommendation from a major report by the Industry Commission (1993) on port authorities is for seaports to become corporatised and adopt a landlord model that encourages private sector investment. A similar approach to the Australian recommendation is also being adopted within many international seaports (Juhel 2001). The role of the public sector then becomes that of developing the infrastructure, performing a regulatory role in relation to maritime safety and the environment, facilitating trade, and marketing the seaport (Inoue 2001; Peters 2001; Suykens and van de Voorde 1998). Since the recommendations of the Industry

Commission (1993) however, some Australian seaports are moving away from a pure landlord approach to a strategic seaport business model. Hirst (2000) explains that this broader-based seaport management model requires a proactive leadership role focusing on developing transport solutions and offering improved service provision for customers.

The argument for the movement towards corporatisation is that it pressures seaports into becoming more efficient and more able to compete both nationally and internationally⁴. However, as suggested by Wilenski (1988), private sector management should not automatically be assumed as being superior. For example, Notteboom and Winkelmanns (2001) explain that the private sector may not have the ready access to capital as that of public sector seaports that may receive government subsidies. In some cases, governments may impose conditions upon potential private operators such as undertaking seaport labour reform, improving facilities, or taking over financial commitments of the previous administration (De Monie 1995). In addition, Notteboom and Winkelmanns (2001: 246) suggest that privatised seaports are not necessarily more efficient than public ports and refer to the Port of Singapore's high performance before privatisation as an example.

Baird (2000) suggests significant differences in productivity levels do not appear to have occurred between public and private seaports in the United Kingdom (UK) since privatisation. He also explains that privatisation 'should not be confused with creating competition' (p. 186). Further, Alderton (1999: 93) indicates that 'the promises of greater competition, greater investment and generally improved commercial efficiency

⁴ See Everett (1995), Everett (2003), UNCTAD Secretariat (1993b), and Valentine and Gray (2001) for a discussion of the benefits and risks of increasing the role of private sector in seaports.

had not occurred in UK ports - at least not as a result of privatisation'. Notteboom and Winkelmanns' (2001: 247) contention however, is that the important prerequisite of an efficient seaport is 'the adoption of a market-oriented management system based on clear goals, managerial skills and accountability', which is possible under private or public ownership.

For most Australian seaports, true corporatisation does not appear to have occurred. King (1997a: A14) explains that corporatised Australian seaports 'are not a real corporate body nor are they a government department ... the ports are left in a no-man's land'. This is supported by Everett (2003: 214) who refers to these seaports as being 'quasi-private sector companies'. Often the cargo handling activities are operated as commercial activities by the private sector whilst the public sector may provide the infrastructure. Whichever ownership/governance model is used, it is clear that seaports are now less likely to be managed as government departments. Notteboom and Winkelmanns (2001: 243) argue that, as a result, seaports are now becoming 'normal' and 'interesting' businesses, perhaps revealing why seaport management is beginning to receive more attention by researchers. This is also reflected by King (1997b: A.16) who reports on a 'sharper approach' to business by seaports primarily, he claims, because of the private sector influence.

3.2.2 Seaports and increasing competitive pressures

It is widely recognised that seaports around the world are operating in an increasingly competitive environment (for example, Branch 1998; Heaver 1995; Ircha 2001; Haezendonck et al. 2000; Teurelinx 2000; UNCTAD Secretariat 1995; Winkelmanns 2002). Seaports face competition from a number of sources, for example, Goss (1990b) proposes five major sources of competition impacting on seaports:

1. competition between seaports in different regions or coastlines;
2. competition between seaports in different countries;
3. competition between seaports sharing the same hinterland;
4. competition between operators within the same seaport; and
5. competition with different modes of transport.

Of these sources of competition, Haezendonck et al. (2000: 69) suggests there is particularly ‘fierce competition among ports, port operators and port authorities located in the same port range and serving approximately the same hinterland’ because of changes to the needs of shipping lines and new trading routes. Hinterlands may be geographically far reaching and as Morgan (1952 in Stehli 1978a: 207) explains, a seaport ‘generally has a different hinterland for each commodity which enters its trade and thus has a number of hinterlands’. This means that a seaport may have a number of individual regions that need to be assessed in terms of potential competition from neighbouring seaports. As Helling and Poister (2000) rightly point out, seaports are limited in how they respond to competition because they are immovable. Although the seaport facilities and infrastructure are fixed, this is not the case with the hinterland, thus, the interest in collaborating with other logistics providers to meet the needs of potential customers in the new enlarged hinterlands. As hinterlands grow, so does the competition among seaports with overlapping hinterlands. With larger hinterlands, seaport customers may be located further from the seaport, emphasising the importance of convenient and efficient landside transportation (Helling and Poister 2000). This is reflected in Stuchtey’s (1991: 236) definition of a hinterland as ‘the area in which overall logistical costs of a potential client are significantly lower than in any other seaport, or overall services provided at a given cost are superior to the service of competing ports’.

In the past, hinterlands were clearly defined and considered to be captive markets (Pollock 1988; UNCTAD Secretariat 1993b). They are what D'Aveni and Gunther (1994) refer to as strongholds based on geography. However, as competition increases, the captive areas are becoming smaller whilst growing sections of hinterlands are seen as being contestable by competing seaports that are actively cultivating these areas (Palmer 1999). Seaports may now consider that they share the same hinterland, meaning it is no longer captive. The distinction between captive and contestable hinterland regions is increasingly blurring as explained in the UNCTAD Secretariat's (1993b) example of the four major seaports in the Australian State of Tasmania, which appear to all share the same hinterland - the entire State.

The blurring of hinterlands is resulting in intense interport competition for the hinterland, cargo and shipping lines. To sufficiently service the hinterlands and to attract more trade throughput, competition is rising among seaports for access into particular logistical chains (which as Goss (1990b) and Winkelmanns (2002) point out may also be a competitor). By becoming more linked to logistical chains, such as those involving road and rail, seaports are in effect creating further competition for coastal shipping and transshipment between seaports. However, if seaports are able to facilitate trade throughput and provide more efficient services for users, then this may be sufficient to gain a competitive advantage by proactively utilising logistical land-based connections.

3.2.3 Choice of a seaport

As a result of high competitive pressures, seaport switching by customers occurs. There are a number of factors seaport customers may consider when choosing a seaport including location (including the nautical approach, climatic conditions, and proximity

to large markets); infrastructure to load/unload cargo; schedule of sailings; the range, availability and efficiency of seaport services; hinterland connections; pricing of seaport services that may include the total intermodal price; perceptions of employee relations in relation to the likelihood of industrial action; the potential to accommodate visits from cruise ships; and personal relations with seaport staff. All of these factors are discussed widely in the literature (see Baird 1997; Bernard 1995; Branch 1997, 1998; Coltof 1999; Craik 2002; G. P. Wild International 1995; Malchow and Kanafani 2001; Mester 1991; Schulten 1991; Somers and de Wilde 1997; Stuchtey 1978; UNCTAD Secretariat 1993b). Branch (1997) however, claims there are only five major considerations that seaport users examine: costs, the type of traffic through the seaport, the available facilities, industrial relations record and the overall efficiency. It has also been argued that seaport customers are becoming interested in the total package of services available where a single price is charged for the package. This “one stop shop” concept is attractive because of the convenience and simplicity for customers (Schulten 1991). The point however, is that there are many criteria upon which seaport customers may base their decisions when making their choice of seaports on a national, regional or local basis. The challenge for seaports is in determining which criteria are most important for attracting profitable customer segments.

3.3 OVERCOMING COMPETITIVE PRESSURES

Seaports have attempted to overcome the increasing competitive pressures affecting their survival and business growth, for example, by focusing on providing further operational efficiencies that result in cost and timesavings for users as well as seeking out new markets (Slack et al. 1996). However, as Everett (1995) points out, an efficient seaport with well-organised land transport, less turnaround time and less industrial

disputes for example, is not necessarily a competitive seaport. The following subsections focus on four main means seaports use to compete in their sector - (i) value adding, (ii) co-opetition, (iii) the use of technology and subsequently competing on price, and (iv) marketing.

3.3.1 Value adding

An effective means of competing for cargo is by offering value added activities to seaport customers (Alderton 1999). Branch (1998) explains how seaports can attract trade by offering a greater number of services to customers. For example, shipowners and shippers may target seaports that offer a wide range of auxiliary services such as ship repair and bunkering as well as the expected basic services (see Table 2.2 in Chapter Two for a list of basic and auxiliary services) that may provide a one stop shop experience for customers.

Another option for seaports is for a program of capital expenditure to increase the range of available infrastructure and services to accommodate the needs of the new generation of ships (Bureau of Transport and Communications Economics 1995a). As seaports evolve into integrated transport logistics interfaces (as discussed later), Baird (1997) recommends new infrastructure is required to meet the demands of the seaport user, otherwise traffic will decline and the seaport marginalised from trade routes. Another innovative approach to gain a greater role in the logistics chain is by acquiring a financial stake in terminal operating consortiums when negotiating agreements for terminal leases. Heaver et al. (2001) report on a number of international examples of seaports such as Antwerp and Rotterdam imposing conditions during negotiations, including the right of pre-emption if consortium members decide to sell their shares.

Another way seaports are value adding is by becoming integrated logistics centres offering a total transportation service to customers. Firstly, if a seaport has a distribution centre, it could for instance add value by including activities such as the consolidation and deconsolidation of cargo, shrinkwrapping, labelling, stuffing and unstuffing of containers (Alderton 1999). Secondly, a competitive advantage can be gained by providing efficient land-side transportation aimed at markets in the hinterlands. As AAPA (2000: 3) explains ‘for some ports, the weakest link in their logistics chain is at their back doors, where congested roadways or inadequate rail connections to marine terminals cause delays and raise transportation costs’. With seaborne trade predicted to substantially trade over the next decade (as discussed in Chapter Two), seaports will need to overcome growing congestion both within the seaport limits and beyond to remain competitive.

3.3.2 Co-opetition

A paradox of the New Economy is that increasing competition is resulting in more collaboration between competitors, which has been referred to as co-opetition (Atkinson and Court 1998; Nalebutt and Brandenburger 1996; Wired Digital 2000). As discussed earlier, examples of co-opetition are evidenced in the maritime industry by alliances between shipping companies, and of late by collaboration between seaports. Heaver et al. (2001) report on a number of European and US port authorities that have entered into cooperative agreements in relation to joint investments, general marketing, and lobbying, all aimed at increasing trade throughput. Pricing however is not an area of cooperation because of the interest this would attract from national anti-competition policies and bodies. Cooperation between seaport authorities is also suggested as a means of effectively responding to the powerful shipping companies (Heaver et al. 2001). This follows D’Aveni and Gunther’s (1994) suggestion that organisations within

a hypercompetitive environment develop strategic alliances to enable competition against more powerful companies within their industry. Baird (1997) provides examples of a number of European seaports that have chosen to complement each other rather than compete for cruise ship visits by jointly marketing themselves as a range of ports of call.

3.3.3 Technology and competing on price

It is argued by Buckley, Pass and Prescott (1992) that the use of new technologies in service businesses (which includes seaports) offers little in the way of sustained competitive advantage due to the difficulty in patenting services and the relative ease of replicating the service delivery process. D'Aveni and Gunther (1994) suggest that sustainable competitive advantages are being eroded quicker in a hypercompetitive environment and that any advantage can only be exploited for a limited time as competitors eventually duplicate it. Thus, the value of new technologies as a differentiation factor between service businesses may only have a short-term effect before competitors also have access to the new technology, thus prompting the need for further innovations. However, as discussed shortly, the adoption of new technology becomes a necessity for these businesses due to the cost reducing advantages gained after implementation.

The introduction of technology such as electronic data interchange (EDI) and e-commerce to facilitate the movement of cargo and increase productivity present two examples of technological innovations that will soon be replicated throughout a growing number of seaports. In other words, these technologies soon become expectations for customers rather than competitive advantages. This is also inferred by Frankel (2001) when discussing the use of a wide range of technological innovations using the internet

and wireless communication based systems such as electronic documentation (also see Helling and Poister 2000; Martin and Thomas 2001; and Peters 2001 for further examples of the use of e-commerce by seaports). The use of these innovations may quickly become the norm as seaports require further efficiencies to meet the demands of seaport users to reduce costs and provide a seamless process that is reliable and efficient. According to Struijs (2001), efficiency, reliability, sustainability and safety, all become more important as trade throughput and congestion occur. To gain an advantage on each of these factors, he recommends that seaports should be embracing new information and communication technologies (see Branch 1997 for a comprehensive list of such technologies).

As raised earlier, the incentive for adopting new technologies, besides gaining a short term source of differentiation, is to increase trade through price reductions resulting from cost savings (Bureau of Transport and Regional Economics 2002). This becomes an important strategy because, as the UNCTAD Secretariat (1993b) reports, the initial reaction to competition by seaports is to reduce prices. The dilemma for seaports is that competing on price lowers available revenue, whilst value adding, that is, competing on providing more services to increase revenue, often requires additional capital investment to provide the facilities (US Maritime Administration 1998 in Helling and Poister 2000).

According to Suykens and van de Voorde (1998), seaport competition will continue to be debated and they suggest that more theoretical research on competition be undertaken. Although the discussion on seaport competition may continue for some time, while competition among seaports and other transport modes continues to increase, marketing is being suggested as a means of gaining a competitive advantage

and increasing cargo throughput (Branch 1997, 1998; Murphy 1991; Pieczek 2000; Schulten 1991; Somers and de Wilde 1997; UNCTAD Secretariat 1993b; Zaheer 1998).

3.3.4 Emerging relevance of seaport marketing

By using the preceding three approaches to attract more cargo, Australian seaports still have underutilised capacity and according to Bureau of Transport and Communications Economics (1995a), will remain so until the 2014/15 financial year. As Carlson (1989) explains, the Australian seaport sector is overcapitalised meaning that the sector is larger than the existing level of trade. Similarly, Martin and Thomas (2001) report underutilised capacity in European terminals resulting in an increasingly competitive environment, whilst Sletmo (1999) and Ircha (2001) reports the same in Canada. If seaports become more efficient, yet remain underutilised the challenge remains to attract more cargo throughput, which is a difficult task in a hypercompetitive environment. Marketing is one means of increasing business and revenue, making effective use of underutilised capacity, and it is also suggested as being an important function of port authorities in increasing trade facilitation (Baird 2000; Cañamero 2000; Craik 2002a; Inoue 2001; Pollock 1998; Sea Freight 2001).

When a competitive market situation exists, Stuchtey (1991b: 11) explains marketing becomes more important. The impact of marketing on seaport growth, and potentially for survival, is highlighted in Murphy's (1991: 6) contention that:

How well ports face the competitive challenges of the next decade will be critical to their financial and trade outcomes. A port's understanding and commitment to the implementation of marketing will substantially affect both outcomes.

As discussed earlier, there are many factors influencing the choice of a seaport, and it is through effective marketing strategies that a seaport may influence a seaport user's

perceptions of the service offering (Baird 1997; G. P. Wild International 1995; Pieczek 2000). Davis (1990: xv) explains, 'the challenge facing all seaports is easily stated. Figure out how to attract shippers and cargo to facilities in the port area'. In practice however, this is difficult to apply. For instance, the challenge is not only to attract customers but also to retain current customers (as will be discussed in Chapter Four). To make efficient use of facilities, most seaports are now unable to rely on retaining customers based on the seaport's historical market positioning. A reliance on a monopolistic or even geographic position is also being eroded as a sustainable competitive advantage. Murphy (1991: 2) observes that in relation to seaports 'few monopolies continue unchallenged over time'. As less cargo is considered "captive", many seaports are now being forced to compete.

Prime examples of the changing market structure for seaports and the demise of monopolies are offered by a number of writers such as Figwer (1999), Misztal (1999), Pieczek (2000), and Pieczek and Roe (2000) all in relation to Polish state-owned seaports in making the transition to a market economy. Pieczek (2000) reviews the political and economic changes in Eastern Europe and the impact the introduction of a market economy has had on the Polish seaports of Gdanski and Gdynia. Pieczek highlights these changes have had a pivotal role in increasing competition, resulting in marketing emerging as an important strategy for these seaports. Previously there was no need for Polish seaports to be competitive as foreign trade cargoes were allocated to each seaport by the government and thus individual seaport marketing was considered unnecessary. With the transformation of the Polish economy has come 'far reaching consequences' for Polish seaports and the rest of the transport sector (Misztal 1999: 55). The advent of competition has resulted in the formation of marketing divisions within Polish seaports and the development of market-oriented management. Figwer's (1999)

study of marketing in Polish seaports emphasises the importance of Polish seaports developing and implementing marketing activities. He warns that unless marketing is undertaken seriously, seaports will be unable to cope with the additional demands of the new deregulated environment as they compete among each other and with seaports in other neighbouring countries for trade throughput.

As seaports are corporatised and are consequently increasing the level of privatisation of some operations and services as a result of government rationalisation, seaport management has become more aware of the benefits of undertaking marketing or risk losing trade to competitors. There is also a growing realisation of the need for marketing because of its positive impact on cash flow, profits, production levels and overall image (Bernama 2001; Branch 1997, 1998; Figwer 1999; Mester 1991). This is reflected in Pieczek's (2000: 62) comment that marketing 'should be considered equally important with other functions of management'. Similar views have been expressed that marketing is now a core function of seaport management (Bernama 2001; Bernard 1995; Branch 1997, 1998; Misztal 1999). Marketing is also recommended as being essential to the survival of seaports (Bernama 2001; Murphy 1991), and 'one of the most critical activities of a port' (UNCTAD Secretariat 1992: 32).

Although some of the above claims were made up to a decade ago, it appears from the literature (to be discussed in Chapter Four) that seaports around the world, including Australia, have not seriously adopted marketing practices. For example, Lobo and Jain were still calling for seaports in 2001 to develop their marketing efforts as a means to increase market share. Similarly, Beth, the Chair and chief executive officer (CEO) of the Port of Hamburg Marketing Association (in Bernama 2001) recommends seaports

undertake innovative and aggressive marketing if they are to survive in an increasingly competitive environment.

The introduction of marketing is also evident in Mangan and Furlong's (1998: 357) review of Irish seaport reform that discusses legislation passed in 1996 that gives commercial freedom to Irish seaports to enable them to operate as 'modern customer-oriented service industries'. In another example, the transformation of the Port of Singapore Authority into a commercial enterprise (now named PSA Corporation) has brought with it a new mindset of being 'customer-oriented and market-driven' where the focus is on customisation as a means of remaining competitive (Shipping Professional 1997: 20). Branch (1998) expresses similar views that market-led strategies will be the means for seaports to compete as corporatisation and privatisation increases. These are not the only challenges facing seaports. As discussed earlier, innovative strategies are required by seaports due to globalisation, the growth of international trade, and hypercompetition within the sector. Branch (1998) argues these innovative strategies will drive the need for creative marketing strategies by seaports. Similarly, Everett and Robinson (1998) suggest that aggressive marketing strategies will need to be employed to offset increasing inter-seaport competition.

Seaports may be at a similar stage as rail in the mid to late 1900s. At that time, rail too was facing competition and rationalisation and attempting to improve operational efficiencies. In addition, customer service also became an important focus (Bureau of Transport and Communications Economics 1995b). As Branch (1998: 172) explains, increased competition and seaport privatisation has developed a 'new brand of management' in seaports that is more closely integrated with the transportation chain and in tune with the needs of customers. Seaports are becoming more customer-

focused, initially because of increased competition and the greater role of the private sector (UNCTAD Secretariat 1993b). In other words, this is resulting in marketing-focused seaport management. In essence, the many changes have, according to Notteboom and Winkelmanns (2001: 243), 'created a competitive environment that has forced ports to become more market-oriented'. In Australia however, Everett and Robinson (1998: 42) suggest there is still 'some considerable way to go' before Australia has market-focused seaports. Although the literature places much emphasis on seaport ownership issues, as Everett (1995) puts it, competitiveness and efficiency in seaports is dependent on superior marketing and management skills, not ownership type.

3.4 SUMMARY

Seaports in the New Economy face many challenges, some instituted by the government, others created by competitors within the same industry, and those resulting from the broader macroenvironment. Seaports are emerging from the protective umbrella of the public sector and are realising that to maintain and grow their business, new strategies are necessary. Like many other service businesses, being able to respond rapidly to changing market forces and international trends, being innovative and entrepreneurial, and market-oriented will become the characteristics of successful seaports (Bolitho 1993; Everett 1995; Suykens and van de Voorde 1998; Wilenski 1988). Before discussing in-depth how seaports are utilising specific marketing activities and strategies in Chapter Six, the following chapter discusses the benefits of being market-oriented and examines the implications of this for seaports. In doing so, major research on seaport marketing is reviewed to gain a broader understanding of the

major issues and to determine whether there is a particular approach that is relevant to marketing seaports, thus addressing PRQ1 discussed in Chapter One.

CHAPTER FOUR

THE EMERGENCE OF SEAPORT MARKETING

4.1 INTRODUCTION

The preceding chapters examined the hypercompetitive environment within which seaports operate and suggested why marketing may be a useful strategy for business growth in such an environment. As alluded to in Chapter Three, the implementation of marketing strategies by management is regarded as a key to competitiveness and long-term growth. A growing number of researchers now identify marketing as being critical to an organisation's success and the achievement of corporate objectives (Akimova 2000; Brooksbank 1991; Devlin 2001; Herremans and Ryans 1995; Hult, Cravens and Sheth 2001; Jarratt and Fayed 2001; Lafferty and Hult 2001; Wilson and McDonald 1994). Marketing is also suggested as being a sustainable means of gaining a competitive advantage during times of low inflation, rising costs and increasing product parity (Shoebridge 1996). With these benefits in mind, this chapter firstly explains how marketing involves more than undertaking a number of activities, and instead, should be approached from the perspective of being an overall business philosophy where becoming market-oriented is an objective. The chapter then compares the emergence of seaport marketing to the development of generic business philosophies and examines a market orientation in the context of seaports. After marketing is established as being relevant for seaports, major studies on seaport marketing are reviewed to determine whether a particular approach to marketing could be applied to seaports.

4.2 MARKETING AS A TOTAL BUSINESS CONCEPT

Marketing may be viewed as 'a set of functional activities performed by line management (such as product policy, pricing, delivery, and communication efforts) or as a customer-driven orientation for the entire organization' (Lovelock 1991: 1). The functional activities described by Lovelock are often, but not necessarily, undertaken by

a marketing department. Many researchers believe that the role of a marketing department has become pivotal to achieving organisational objectives and in providing the interface between the organisation and the external environment (Doyle 1995; Fifield 1992; Grönroos 1990; Gummesson 1994; Herremans and Ryans 1995; McKenna 1991; Pieters and Botschen 1999; Webster 1992). A marketing department is recognised as being particularly important for its role in attempting to attract potential customers, and maintaining and retaining current customers in profitable relationships (Edvardsson, Edvinsson and Nystrom 1993; Grönroos 1989, 1990; Kostecki 1994b). In addition, via market research techniques, such an interface enables a more informed understanding of the market, the creation of interest in the market by influencing customer purchase decisions, and the exploitation of opportunities by providing superior value and customer satisfaction (Babin and Griffin 1998; Cravens 1997; Devlin 2001; Grönroos 1980; Kostecki 1994b; Webster and Sundaram 1998). As Kotler and Levy (1969) simply explained over 30 years ago, marketing is what keeps the organisation in constant touch with the market. Agarwal, Erramilli and Dev (2003) and Flipo (1986) also suggest the marketing department should be concerned with the internal as well as the external markets of a business, that is, the employees and customers respectively because of the role employees have in producing and delivering the product to customers. In practical terms, it is employees that are the frontline interface that is in contact with customers on behalf of the business.

Although the need for conducting marketing activities is widely accepted, not everyone recognises the need for a marketing department (for example see the discussion in Cravens 1998b). From the very large to smaller organisations, many are either decreasing the size of the marketing department or removing it completely from the organisation chart (Cravens 1998a; Denison and McDonald 1995; Grönroos 1989;

Jarratt and Fayed 2001; Shoebridge 1996). From a pragmatic perspective, many smaller organisations do not have the resources to fund a marketing department. Doyle (1995: 37) however, maintains that what is more important is that each organisation requires a person who is the 'champion of the marketing philosophy' whose aim is also to ensure all employees appreciate the imperative of being market-driven. 'The role of this "champion", whether the manager of the marketing department or another department is to provide the strategies and systems that enable employees to perform marketing activities (Wilson and McDonald 1994).

Researchers (for example, Cravens 1998a; Denison and McDonald 1995; Hooley, Lynch and Shepherd 1990; Lorenz 1986; Morgan, McGuinness and Thorpe 2000) explain that the most successful companies recognise that marketing should pervade the corporate culture and transcend any individual department or title. Similarly Grönroos (1989: 55) explains that a marketing department is an 'organisational solution' for managing marketing, and suggests, regardless of the existence of a marketing department, that the responsibility for marketing should be spread throughout the organisation. As a number of researchers (such as Grönroos 1989; Jarratt and Fayed 2001; McKenna 1991; Webster 1992) explain, marketing is a way of doing business that should be part of every employees' job description, or as expressed by Grönroos (1994), all employees should be considered as being part-time marketers.

At the other end of Lovelock's (1991) continuum of marketing, that is, marketing as a customer-driven orientation, marketing appears to be moving beyond being a series of activities performed by a marketing department to becoming accepted as a total business concept. This is supported by Styles and Uncles' (1998) survey of 280 marketing managers in Australia that found marketing is becoming more business

focused. Similarly, Doyle (1995) suggests marketing be viewed as an integrative business process rather than a list of departmental activities. This is not a new concept. Four decades earlier, Drucker (1954: 37) argued that marketing ‘is not a specialized activity at all. It is the whole business seen from the point of view of its final result, from the customer’s point of view’. It appears that a number of researchers now also agree with another observation of Drucker (1974) that marketing should be a business philosophy that must permeate all areas of the organisation, and in doing so, offer superior value to customers. These views are reflected in McKenna’s (1991: 79) suggestion that ‘marketing is everyone’s job, marketing is everything, everything is marketing’.

There are two major approaches in the literature reflecting the role of marketing as being a business philosophy, being “marketing-oriented” or being “market-oriented”. Despite their apparent similarity, they are two different concepts. However, at times within the literature, there is some confusion between the uses of the two phrases, where in some cases they are used interchangeably (such as in Webster 1988) or defined inconsistently (as in Grönroos 1989). Each orientation has implications for how marketing is managed in organisations because their focus differs; each are explained in the following two sub-sections.

4.2.1 The marketing-oriented organisation

Organisations that implement the marketing concept are said to be marketing-oriented. The marketing concept refers to a business philosophy where the central focus is on being responsive to customer needs in selected target markets, provided it can be achieved at a profit. As Trustrum (1989: 48) explains, it is ‘a belief that the organization can function in the best interests of its customers and itself when a balance

is achieved between the needs of both parties'. The relevance of the marketing concept is clearer when it is considered that prior to the introduction of the marketing concept in the 1950s, marketing generally referred to selling⁵. According to Webster (1988), the focus at that time was on the organisation's products, not its customers. Marketing's role was to sell what the organisation could produce. In other words, during this sales orientation era, the emphasis was on persuading potential customers they needed the product. Marketing activity tended to be 'short-term and tactical, focusing on the selling process itself' with little concern about developing new markets or adapting to changing customer requirements and the competition (Webster 1988: 3). The sales orientation can be contrasted against the earlier production orientation where organisational activities were 'geared to existing technology, products or production processes', that is, the focus was more on the organisation than the market (Grönroos 1989: 52). Vorhies and Harker (2000) refer to these business philosophies as being internally-oriented where the marketing focus revolves around pricing to increase sales.

In contrast, to the sales- and production-oriented organisations, marketing-oriented organisations⁶ use the creation of superior customer value to guide business strategy as a means to differentiate the organisation's products from others (Vorhies and Harker (2000). The core tenets of a marketing-oriented organisation are often identified as a coordinated organisation-wide approach to marketing and a focus on customer satisfaction and organisational profitability, that is, it is the implementation of the marketing concept (Kohli and Jaworski 1990; Narver and Slater 1990; Trustum 1989;

⁵ See Webster (1988) and Wrenn (1997) for a review of the development of the marketing concept.

⁶ A fourth business philosophy, often referred to in marketing textbooks, is that of a societal orientation. Organisations operating under this orientation have a greater focus on addressing the needs of stakeholders who may be affected by the organisation's commercial actions, for example, pollution, environmental damage, and ethical practices. Besides customers and employees, stakeholders may include the government, suppliers and the general public.

Webster 1988; Wrenn 1997; Wright, Pearce and Busbin 1997). As Wrenn (1997: 34) explains, 'the marketing concept is a way of thinking about the organization, its products, and its customers, a marketing orientation is doing those things necessary to put such a philosophy into practice'.

4.2.2 The market-oriented organisation

When discussing marketing as a total business concept, the phrase "market-oriented" rather than marketing oriented is generally used. Other commonly used terms, such as being "customer-focused" or "market-driven", according to Slater and Narver (1995) and Wrenn (1997), are synonymous with being market-oriented. Being market-oriented generally relates to the implementation of three major activities. The first activity involves systematically collecting market research on present and potential customers and competitors; the second is systematically analysing the collected research to develop knowledge about the market; and the third activity is the implementation of the new found knowledge to guide business strategy (Hunt and Morgan 1995; Kohli and Jaworski 1990; Morgan et al. 2000; Wrenn 1997).

Although there may be some confusion between being marketing-orientated and market-oriented, a number of researchers (such as Gray, Matear, Boshoff and Matheson 1998; Kohli and Jaworski 1990; Lafferty and Hult 2001; Wrenn 1997) are clear there is a fundamental difference between the two orientations. They explain that being market-oriented is much broader in that it focuses attention on customers and the environmental influences on marketing including competitors, whereas being marketing-oriented is concerned mainly with customers and restricts responsibility to the marketing department (see Wrenn 1997 for a comprehensive examination of the market orientation construct).

Researchers have attempted to measure the extent an organisation is market-oriented by developing uni- or multi-dimensional measures using a variety of scales (see examples in Dawes 2000; Deng and Dart 1994; Gray et al. 1998; Jaworski and Kohli 1993; Kohli, Jaworski and Kumar 1993; Narver and Slater 1990; Rose and Shoham 2002; Vorhies and Harker 2000; Wrenn 1997). Some examples of dimensions measured include customer orientation, competitor orientation, interfunctional coordination, a long-term focus, and profitability (Narver and Slater 1990); a 32 item measure of the generation of market intelligence, dissemination of market intelligence, and responsiveness to market intelligence (Jaworski and Kohli 1993), which was reduced to a 20 item version entitled MARKOR by Kohli et al. (1993); and Dawes' (2000) use of customer analysis, customer responsiveness, competitor orientation, and market information sharing. Gray et al.'s (1998) contribution to measuring a market orientation is the synthesis, replication and extension of three measures (as developed by Deng and Dart 1994; Jaworski and Kohli 1993; Narver and Slater 1990) encompassing a 44 item scale, from which a 20 item questionnaire was developed and validated. Gray et al. (1998) suggest that a market orientation is a multi-dimensional construct consisting of the five dimensions of customer orientation, competitor orientation, interfunctional coordination, profit emphasis, and responsiveness. Further, they recommend a questionnaire that may assist managers identify areas of improvement to attain business growth.

Businesses that are market-oriented often have similar characteristics. Webster (1988) for example, suggests that in these businesses, market research is undertaken on both customers and competitors and the findings included within a market information system; product development and innovation is guided by marketing; and strategies are developed for the management of long-term relationships with customers based on

market segments, targeting and positioning. Although Webster (1988) argues it is beneficial for the marketing manager/specialist to report directly to the CEO, having senior management who are supportive and committed to customer satisfaction and the marketing plan has also been found to be a major success factor (Brooksbank 1991; Conduit and Mavondo 2001). A major consideration for market-oriented businesses is also the achievement of profits, not just increased sales. Essentially, market-oriented organisations 'excel at finding attractive markets, determining customer needs, and developing goods and services to meet those needs' (Vorhies and Harker 2000: 150).

When researchers refer to the potential benefits of marketing for an organisation, they are often referring to organisations that have adopted a market orientation (Agarwal et al. 2003; Akimova 2000; Brooksbank 1991, Conduit and Mavondo 2001; Grönroos 1983, Jarratt and Fayed 2001; Lorenz 1986, McKenna 1991, Piercy, Harris and Lane 2002; Wilson and McDonald 1994). The benefit of being market-oriented is that it is considered to be a foundation for building a sustainable competitive advantage, in that there are linkages with business performance, profitability, customer satisfaction, and employee commitment (Brooksbank 1991; Jaworski and Kohli 1993; Kohli and Jaworski 1990; Krohmer, Homburg and Workman 2002; Lafferty and Hult 2001; Narver and Slater 1990; Pulendran, Speed and Widing 2000; Van Egeren and O'Connor 1998; Vorhies and Harker 2000; Wrenn 1997). Dawes (2000) for example, presents a summary of 30 studies from 1990 to 1999 that found a positive association between being market-oriented and business performance. The adoption of a market orientation has both academic and practitioner support as being 'the hallmark of successful contemporary organizations' (Wrenn 1997: 32). In addition, Wrenn's detailed examination of the literature found that being market-oriented improves business performance in large and small organisations whether they produce tangible products or

services. Moreover, in service businesses, Chang and Chen (1998: 258) found being market-oriented 'to be correlated with superior service quality and greater profitability'.

The following section explores the development of marketing in seaports by commenting on similarities with the production, sales and marketing philosophies before discussing whether there is evidence of seaports being market-oriented.

4.3 DEVELOPMENT OF SEAPORT MARKETING

Many seaports are still in the process of evolving from a simple interface between land and sea to logistical service centres providing a pivotal link in the transport chain (Somers and de Wilde 1997). Likewise marketing appears to also be developing. One widely accepted conceptualisation of the development of seaports is that of there being three generations of seaports (UNCTAD Secretariat 1992, 1993a; Somers and de Wilde 1997). Although a fourth generation has been mooted in recent times (UNCTAD Secretariat 1999), further discussion is yet to be found. A report by the UNCTAD Secretariat (1992) explains that in determining each generation of seaports three criteria are used:

1. The seaport development policy, strategy and attitude;
2. The scope and extension of seaport activities; and
3. The integration of seaport activities and organisation.

In explaining the evolution of seaports through the three generations, the orientations raised in the previous section are also discussed in tandem. This conceptualisation is useful because it provides possible insights into the business philosophies of seaports at each stage of their evolution.

As explained by the UNCTAD Secretariat (1992), seaports of the first generation are recognised as being insular in nature and operating merely as an interface between the land and sea. Cargo loading, unloading, and storing tend to be the major activities of the seaport. Seaports operating before the 1970s are often typified as being first generation seaports. These seaports have little concern for the needs of customers or other stakeholders and there is no real interest in developing relationships with the region in which they operate (Somers and de Wilde 1997; UNCTAD Secretariat 1992). In the pre-1970s environment, seaports faced a “seller’s market” with their main task being the organising of what were heavily booked berths and being able to select their customers (Mester 1991). These seaports rarely considered the need for seaport marketing, the only exception being very limited promotional activities (Coltof 1999; UNCTAD Secretariat 1992). For these seaports, the ‘Field of Dreams’ mentality appears to be the governing ideology. According to the UNCTAD Secretariat (1992), the thinking of seaport management in first generation seaports is that there is no need for marketing efforts because customers should know the seaport exists and thus will seek it out when required.

The business approach of first generation seaport management is very similar to the production orientation of organisations during the early to mid 1900s where there was little if any customisation of the product or service. If customers wished to do business, they had to accede to the requirements of the seaport, or as Morris (1988: 20) puts it, the ‘old-fashioned port management [gave] the impression they are doing you the favour by letting you in’ to the seaport. Murphy (1991) notes that seaports with a production orientation still retain a harbour mentality and are at risk of marketing myopia (as per Levitt 1960). Of the many seaports of the first generation that still exist, their role in the transportation chain is not recognised. In times of high competition, these seaports are

likely to lose trade to customer-focused seaports and competitors in the logistic network using rail and/or road for landbridging.

As commercial and industrial interests developed, seaports of the second generation increased their service offerings to enable value-adding activities, which according to Somers and de Wilde (1997) occurred during the 1970s for some seaports. The business of the seaport began expanding past the seaport gates towards the hinterland, which signalled the recognition of the benefits of forming relationships with other organisations including the local municipality (Alderton 1999). Seaports then began to employ sales consultants whose role it was to go into the market to attract trade. According to the UNCTAD Secretariat (1992), even at this stage, marketing was not recognised nor were marketing strategies being developed, but there were attempts to expand trade. The United Nations (1993) reports that even as recent as the early 1990s many seaports still had a sales focus, and predicts that it would be several years before seaports become market-oriented. From the discussion in the previous section, it appears seaports of the second generation are likely to be in a sales orientation.

A significant change in seaport management's attitude from a passive approach to a more active role in international trade and the transportation chain highlights the change during the 1980s to third generation seaports (Somers and de Wilde 1997). A significant reason for this evolutionary step was the steadily increasing competitive environment facing seaports created by trade liberalisation, the opening up of third world countries, the increased use of containerisation, larger ships, and government reform. These factors and others, as discussed in Chapter Three, created a hypercompetitive environment for seaports that encourages them to evolve or perish. As a result, seaports began to establish themselves as a dynamic and integral node in the

distribution network as well as offering more value-added ship- and vehicle-related services, and logistics services such as warehousing, repackaging and palletising (Palmer 1999). These services appear to be the beginning of positioning seaports as one-stop shops. Although it could be assumed that only the larger seaports may be able to evolve to become third generation seaports, according to the UNCTAD Secretariat (1992), size is not a factor, instead it is the motivation of seaport management that is important. During this generation, marketing sections or departments began appearing in organisational charts and seaports became more outward looking, more interested in the needs of customers, and more market-oriented (Somers and de Wilde 1997). These issues are discussed further in the following section.

4.3.1 Market-oriented seaports

Of the papers examined thus far on seaport marketing, the majority tend to emphasise gaining new customers rather than also retaining current customers. Murphy (1991) refers to these aspects of marketing as being offensive marketing and defensive marketing respectively. In essence, there tends to be a focus on transactional marketing rather than relationship management. However, this approach is gradually changing as a number of recommendations are being made that seaports must become more market-oriented if they are to attract more trade during times of increased competition (see Branch 1998; Cañamero 2000; Figwer 1999; Notteboom and Winkelmanns 2001; Somers and de Wilde 1997; UNCTAD Secretariat 1992, 1993b; Winkelmanns 2002). For example, Murphy's (1991) key message is that seaports must focus on being market-driven whilst Figwer (1999) discusses the benefits of Polish seaports adopting a market-orientation. The Chair of PSA Corporation (formerly the Port of Singapore) declared in 1997 that the Corporation 'will be more customer-oriented and market-driven. It will customise its services to what each client needs' (Shipping Professional

1997: 20). The Chair indicated this new mindset is necessary to change from thinking like a government agency.

Similar to the generic marketing literature, there is inconsistency in the seaport marketing literature with the use of the marketing concept, marketing orientation, market orientation and being market-driven. At this stage, however, only a few articles have referred to any of these terms. Generally, the above terms are being used to mean the same, that is, seeking an understanding of their customers to enable the needs of the customers to be satisfied (for example, Branch 1997; Frankel 1987; Murphy 1991; Somers and de Wilde 1997; UNCTAD Secretariat 1993b). The terms then, tend to be a combination of a definition of marketing and some aspects of a marketing orientation. Although Figwer (1999) uses the phrase “marketing orientation”, from the surrounding discussion in that article and following the convention of others in defining the concept of a market orientation (Gray et al. 1998; Kohli and Jaworski 1990; Lafferty and Hult 2001; Vorhies and Harker 2000; Wrenn 1997), it appears Figwer (1999) is actually referring to a market orientation.

According to a report by the UNCTAD Secretariat (1993a), maintaining contact with customers is a means of remaining competitive. The report suggests that seaports should ‘listen to them, discuss with them, help them and satisfy them’ (p. 2); that is, an active approach to customers should be implemented. As Ircha (2001: 130) suggests, customisation via the provision of the desired service level, quality, and timeliness is ‘becoming the path to port success’. For example, major seaports such as PSA Corporation customise service contracts to the needs of carriers and prefer to use this ability to compete on the level of service rather than price (Shipping Professional 1997). G. P. Wild International (1995) cites other seaports that also compete on value-added

services by undertaking a collaborative marketing process with seaport users and being strongly user-oriented. However, there is little explanation of how these seaports' market orientations are measured or whether it has been a success. The body that manages the Port of Rotterdam, the Rotterdam Municipal Port Management, is a specific example of a seaport adopting a market orientation. Its 2001 to 2005 business plan (Port of Rotterdam 2001) explains that increasing their market orientation and positioning the seaport as a partner to the seaport business community are both topical issues for the seaport. The Dubai Ports Authority's culture of the 'customer comes first', which is apparently ingrained in all staff, is also indicative of the beginnings of a market orientation (Lloyd's List 1997: 12).

Being market-oriented does not come without financial costs. This can create some hesitation towards developing marketing strategies particularly when results may take some time to eventuate. A market orientation is becoming recognised as necessary for a seaport to be successful because it develops commercial activity with a focus on increasing market share by attracting more trade (Somers and de Wilde 1997). Empirical testing of this hypothesis appears yet to be conducted in the seaport marketing literature. The following section extends the discussion on market-oriented seaports by examining the role of marketing departments in seaports in developing and implementing marketing activities and strategies.

4.3.2 Role of the marketing department

As seaports develop through each evolutionary generation the need for marketing increases. In addition, as the competitive environment intensifies and seaports seek to differentiate their product and/or provide value-added services, marketing activities and strategies become more complex. Within seaports then, an issue becomes who is

responsible for managing marketing. In smaller seaports, the only option may be for marketing to be the responsibility of the CEO. As the seaport develops, others such as a trade development manager or dedicated marketing staff or consultants may be hired. Larger seaports may establish a separate marketing department.

Whether there is a formal marketing department or an informal structure, seaport marketing is acknowledged as being too important to be left to the sole responsibility of one department (Branch 1998; Mester 1991; Murphy 1991; Pieczek 2000; Somers and de Wilde 1997; Stuchtey 1991b; UNCTAD Secretariat 1992). Instead, all personnel should be involved in marketing and preferably, a senior manager provide the strategic direction for marketing.

Stuchtey (1978, 1991b) appears to be one of the earlier proponents of an interfunctional approach to marketing where all employees are recognised as having at least some impact on marketing. The reason, as in other service organisations, is that all levels of the seaport organisation are affected by marketing, particularly through interactions with seaport users. As Murphy (1991: 52) puts it ‘marketing is indeed everybody’s business, and everybody had better know it, no matter how deeply buried one may be in R&D or at the telephone switchboard’. Similarly, Stuchtey (1991: 13b) explains, ‘a customer-oriented management approach at all levels of the organization is absolutely essential for a service industry like a seaport’ and thus, according to Somers and de Wilde (1997), the necessity of constantly reminding and training employees to be customer-focused.

Examples of activities undertaken by a seaport marketing department are discussed by Misztal (1999). He suggests that the activities of what he calls the marketing and

development department be divided into seaport dispatching, marketing (in particular developing marketing strategies and implementing strategic plans), promotion (with the focus on advertising, publishing, exhibitions, and organising promotional events), and seaport development (consisting of overseas development and sales representatives). An early example of marketing within a seaport's organisational structure reflecting second generation seaports is the establishment of a sales department that Stuchtey (1978) proposes includes a marketing operations section and a marketing service section. According to Stuchtey, the marketing operations section is responsible for the negotiating of contractual arrangements by sales representatives, including pricing with seaport users, whilst the marketing service section undertakes the advertising, public relations and market research activities.

Thirteen years later Stuchtey (1991c) updated his thoughts by referring to a marketing department (and possibly third generation seaports) instead of a sales department as in Stuchtey (1978). In addition, he recommends that a seaport marketing department also consist of a separate staff position within the department to be responsible for pricing and other personnel responsible for the overseas marketing representatives. There are two main points of interest arising from Stuchtey's two articles. Firstly is the movement of thought from a sales to a marketing department. It could be argued that some sales departments in seaports adopted the title of marketing department in name only whilst still focusing on promotion, whereas others, similar to the contemporary HRM department that changed its title from a personnel department, have adopted a strategic approach. A second point of interest from Stuchtey (1978, 1991c) is that the marketing activities he discusses essentially remain unchanged. In both articles, the emphasis remains on pricing, promotion, and market research with no mention of other marketing activities.

Besides the few previously mentioned articles, the available literature is not clear on the role and activities of a seaport marketing department. It appears the activities may include: gaining an understanding of customer needs through market research; segmenting the market; identifying potential customers; preparing a marketing plan, strategy and budget; managing customer complaints; preparing market reports; promoting the seaport; price setting; and customer liaison (Frankel 1987; Misztal 1999; Stuchtey 1991c). Although this list covers a number of marketing activities, it should be noted that only a small number of articles actually discuss them, albeit briefly. Of the articles to be discussed within Chapter Six, the majority usually refer to pricing and promotional activities and little mention is made of customer relationship management (CRM) activities such as service recovery, customer service, complaint management, customer satisfaction, and service recovery. Where marketing departments exist, their role should be to facilitate marketing throughout the organisation by initially providing the required information to enable all employees to have a clear understanding of the requirements of customers. In addition, as will be argued in Chapter Six, the vast majority of articles that list activities do so from a physical product perspective rather than considering the additional complexities of marketing service businesses meaning that the examination of marketing activities may have been incomplete.

Thus far, discussion has focused on essentially why and how marketing developed in seaports with some comments made on the role of a marketing department. The following section retains a broad perspective by reviewing the major publications and research on seaport marketing.

4.4 REVIEW OF RESEARCH ON SEAPORT MARKETING

During the early to mid 1990s, there was a relative plethora of publications discussing seaport marketing when compared with earlier times. Although Davis' (1990) review of the marketing efforts of a number of US seaports implies marketing is an established function of seaport management, it is argued here that this is not an accurate portrayal of the extent of research in seaport marketing. As contended by Pieczek (2000: 245), 'the world's leading ports have been marketing their services successfully for a number of years, [yet] research in these areas is still extremely limited'. In addition, Pieczek's (2000: 2) review of seaport marketing also notes that 'attempts to research aspects of port marketing have been few and far between', with little research on seaport marketing being available.

Discussions on seaport marketing have taken the form of textbooks, reports, industry publications, and to a lesser extent, articles in academic journals. Research in the main tends to lack academic rigour and contains little empirical research, relying instead on anecdotal evidence and tending to describe individual marketing activities of selected seaports. These publications consist of general explanations of marketing applied to seaports (Somers and de Wilde 1997; UNCTAD Secretariat 1992); comprehensive guides for developing seaport marketing plans (Branch 1998; Frankel 1987; Murphy 1991); the process for segmenting the market of a seaport (Muller 1991); the development of seaport pricing processes (Ashar 2001; Dowd and Fleming 1994); and guidelines for developing a seaport promotion strategy (Bernard 1995). A major contribution to seaport marketing is that of a seaport management textbook focused on marketing (Institute of Shipping Economics and Logistics 1991). This textbook examines a number of marketing issues of relevance to seaports including the impact of competition, marketing from a customer's and seaport's points of view, marketing

statistics, pricing, marketing communication, market research, and the role of marketing departments.

A concern however, is that a number of papers attempt to apply concepts more applicable to the marketing of physical products that may not be appropriate for seaports that tend to provide services. For example, Figwer (1999) discusses a number of marketing activities and the need for Polish seaports to have a market-led focus, yet much of the discussion is still of a physical product marketing paradigm, including the recommendation of implementing the 4P marketing mix used for physical products. Articles by Stuchtey (1991b, 1991c), although recognising seaports as service businesses and discussing seaport marketing, do not apply services marketing principles even though they were being published from the 1980s. However, Stuchtey appears to be one of the leading proponents of seaport marketing given that he has written on the topics of market research and other marketing activities, the structure of marketing departments, and the benefits of using marketing in a competitive environment. A number of his papers are discussed throughout the current study (see Stuchtey 1978, 1991a, 1991b, 1991c, 1991d, 1991e). What is of interest with Stuchtey is that he began writing about seaport marketing at a time when it was a foreign concept for managing seaports.

An empirical study that attempts to apply services marketing principles to seaport marketing is that of a doctoral thesis by Pieczek (2000). The purpose of the research was an investigation of marketing by two Polish seaports by surveying 27 seaport users and two seaport marketing managers. In essence, Pieczek (2000) found that services marketing is an appropriate marketing approach for Polish seaports as is the expanded marketing mix as the basis of seaports' marketing strategy. Two concerns with the

research however, are that only superficial services marketing principles are considered by Pieczek, and secondly the review of the seaport marketing literature is limited as it tends to rely on only Schulten (1991), Stuchtey (1991e)⁷, and Suykens (1988).

Some focus on seaport marketing can be found in maritime economics and seaport operations textbooks (such as those by Branch 1997, 1998; Coltof 1999; Frankel 1987). An interesting parallel is evident between the emergence of seaport marketing with that of the generic marketing literature that also emerged from the economics literature almost a century earlier (Jones and Monieson 1990). Even though some textbooks and chapters contain the term marketing in their title, this is no guarantee that it is dealt with in any depth. For example, the four chapter web-based writing of Somers and de Wilde (1997) entitled *Port Marketing* contains only one chapter on seaport marketing. The other chapters focus on international trade; shipping, including a description of the various types of ships; and the evolution of seaports.

Similarly, Branch's (1998) textbook entitled *Maritime Economics: Management and Marketing* devotes four chapters or about ten per cent of the pages to marketing issues in shipping and, to a lesser extent, in seaports. In another example, a chapter in G. P. Wild International's (1995) examination of international seaports entitled 'Marketing, distribution and technical innovation' contains less than two pages of marketing detail.

The United Nations and the United Nations Conference on Trade and Development (UNCTAD) have made a major contribution to seaport marketing by either sponsoring or directly publishing several reports. Discussions on aspects of these reports exist

⁷ The articles by Schulten and Stuchtey are both shown in Pieczek (2000) as being 1993; from Pieczek's referencing details, it appears that the correct citations should both be 1991.

throughout the current study. For example, three reports focus almost entirely on seaport marketing (Murphy 1991; UNCTAD Secretariat 1992; United Nations 1993), two reports on seaport management that include some detail on marketing (UNCTAD Secretariat 1993a, 1993b), two on pricing in seaports (UNCTAD Secretariat 1975, 1995), and a report on promotion activities in seaports (Bernard 1995). These reports generally note the impact of increasing levels of competition on seaports, changes in the macroenvironment (as discussed in earlier chapters), and the new role of seaports in the transport chain. These reports also extend this discussion to the potential role of marketing for seaports. For example, when discussing strategic planning for port authorities, the UNCTAD Secretariat (1993b) explains general strategies such as cost leadership as well as marketing-related strategies such as pricing, value-adding, and the benefits of being market-oriented.

Articles containing some mention of seaport marketing are beginning to appear in maritime-based academic journals such as the *Maritime Policy and Management Journal* and the relatively new *International Journal of Maritime Economics*. Thus far, the majority of these articles tend to deal with pricing strategies in seaports with some limited discussion of market research; these are discussed in detail later in this chapter in the section on seaport pricing. Others such as Baird (2000), refer to a list that contains marketing and/or promotion as an activity of seaports, or briefly refer to the need for being market-oriented (as in Notteboom and Winkelmanns 2001). Baird (1997) is another example, who, when focusing on the cruise ship market, discusses as an aside the benefits of an appropriate pricing and promotional strategy for seaports to attract cruise ships to seaports. As yet, there does not appear to be comprehensive research in these journals focusing specifically on other aspects of marketing.

Research on the marketing of seaports appears yet to be published in mainstream marketing journals. Journals such as the *European Journal of Marketing*, *Journal of Marketing*, *Journal of Services Marketing*, *International Journal of Service Industry Management*, *Journal of Business and Industrial Marketing*, and the *Journal of International Marketing* contain only a few articles that relate to some aspects of maritime marketing (but not seaport marketing), such as the use of service quality in ocean shipping (see Durvasula, Lysonski and Mehta 1999, 2000; Mehta and Durvasula 1998). It appears that seaport marketing is still at a similar stage to that of the early 1990s, that is, the need for marketing is still being acknowledged but few attempts at empirical research or theory development are being reported. What is unclear (as being investigated by SRQ1 of the current study) is whether seaports are practising marketing but it is not being researched and reported, or if the extant research is in fact reporting current practice.

A comparison of the state of marketing in other maritime sectors with that of seaport marketing indicates greater advances both conceptually and empirically being reported on the former. Research on various aspects of marketing has been conducted in maritime sectors such as cruise lines (Conover 1996; Marti 1991, 1995), shipbuilding (Hewitt 1998; Hewitt and Henderson 1998), ship management (Panayides and Gray 1997), and shipping lines (Brooks 1995, 2000; Durvasula and Mehta 1996; Durvasula et al. 1999, 2000; Mehta and Durvasula 1998; Mehta, Lobo and Mehta 1995). Although each of these sectors is integrated to some extent with seaports, they have tended to attract more attention from researchers. Perhaps one reason for this is that competition in these sectors has occurred earlier or is more intense, thus requiring the need of marketing strategies prior to seaports. As is discussed later in this chapter, it is also of

note that the use of services marketing principles appears to be more widely accepted in the research on maritime marketing than in seaport marketing.

There are a number of publications that do not address seaport marketing when it may be an advantage and appropriate given those discussions. For example, in discussing the effectiveness of seaport management policies in persuading container lines to use seaports, Zan (1999) does not consider marketing as a solution even though seaport charges and the relationship between the seaport administrator and shipper is raised. Similarly, in Hoyle's (1999: 169) discussion of seaport development and the effects of interport competition on the Port of Mombasa in Kenya, he acknowledges that 'aggressive marketing' is required to successfully develop the seaport, yet no further discussion ensues. In an article on the impact of increasing competition on the Port of New Orleans, Lienert (1998) suggests the need for stability, strength and survival, but with no mention of the benefits of the seaport adopting marketing strategies. Even in Carlson's (1989) examination of seaports as businesses, marketing is not discussed. Although he provides an extensive list of activities for establishing a seaport users' council, marketing is not raised as being either a reason or means for its development. Carlson (1989) also comments on the need to remove the image of 'faceless men' in seaports and instead, create better relationships, yet marketing is not discussed as being a potential strategy.

Notwithstanding the above comments, Branch (1998) makes the claim that seaports have a strong marketing focus. With few empirical studies focusing on seaport marketing in-depth, it is difficult to determine the extent marketing is being practised, but also the effectiveness and appropriateness of what is discussed. For example, in Pieczek's (2000) empirical study of two Polish seaports, the extent of marketing is also

not clear because the survey was primarily asking seaport users their opinions of a number of marketing activities. For example, the 27 seaport users and one representative from each of the two seaports were asked to rate the effectiveness of market segmentation and to rate from excellent to poor the level of market research undertaken by the two seaports. Other questions related to assessing the fluctuation of the seaports such as email facilities, accessibility, or assessing the educational backgrounds of seaport staff and the training courses they may have attended. It could be argued that customers may not be able to answer a number of these questions, yet an “unsure” type of category was not available. In addition, marketing activities may be aimed at some market segments and not others.

Overall, it appears from the available literature that seaports undertake at least some marketing activities. In relation to the publications, it appears many are relying on anecdotal evidence and secondary data available from seaports. In other words, the extent of marketing in seaports is unclear from the available literature, thus giving further support for investigating SRQ1:

What marketing activities and strategies are currently being practised by Australian seaports?

Given that seaports are service businesses and some recent studies have attempted to apply services marketing principles, the following section discusses why service businesses require a different approach to marketing by introducing services marketing activities and strategies that are discussed in-depth in the following chapter.

4.5 MARKETING FOR SERVICE BUSINESSES

Being market-oriented indicates the business philosophy of an organisation. It sets the focus on both the internal and external environments, that is, on employees,

competitors, and customers. To achieve a market orientation and organisational objectives and goals, marketing strategies are then developed and implemented. As the purpose of the current research is to investigate the marketing of seaports, which are service businesses (Murphy 1991; Pieczek 2000), discussion in this section focuses specifically on marketing activities and strategies applicable to service businesses. In doing so, services marketing is differentiated from the marketing of physical products to assist in understanding the complexities and challenges faced by service businesses and serve as a useful comparison when examining research on seaport marketing. In addition, this will assist in formulating a response to SRQ2 that investigates:

Are current seaport marketing activities and strategies appropriate for successfully marketing Australian seaports?

Services marketing often appears to address management issues generically in a service business rather than issues only associated with marketing activities. This is consistent with the earlier discussion on marketing being treated as a total business concept (Beckett-Camarata, Camarata and Barker 1998; Chase and Kellog 1990; Fisk, Brown and Bitner 1995; Grönroos 1980, 1983, 1989; Lovelock 1992; Pieters and Botschen 1999). In this sense, services marketing may be referring to HRM or operational activities as well as marketing activities. Researchers (such as Chase and Kellog 1990; Lovelock 1992; Pitt and Foreman; Wilson 2001) suggest that linking HRM, operations, and marketing functions (which Lovelock 1992 and Lovelock, Patterson and Walker 2001 refers to as the service trinity) in an interdependent relationship is necessary for the successful management of a service business. Consistent with this, Grönroos (1989) and Gummesson (1994) argue that the influence of marketing in a service business is of such importance that it is more appropriate to discuss services marketing in terms of

market-oriented services management rather than adopting a departmentalised approach.

In the past, marketing had limited influence in a service business (Edgett and Parkinson 1993; Grönroos 1980; Knisely 1979; Kostecki 1994b; Langeard, Bateson, Lovelock and Eiglier 1981; Lovelock 1983; Parasuraman, Berry and Zeithaml 1983); instead, marketing activities were often limited to the promotional activities of advertising and public relations (Flipo 1986). An important reason for this was the assignment of marketing activities to other departments, in particular operations (George and Barksdale 1974; Langeard et al. 1981). However, Grönroos (1983) does not suggest the creation of a separate marketing department in a service business because this may only serve to widen the gap between operations and marketing activities. More specifically, as Morgan et al. (2000) explain, a marketing department may encourage employees in other departments to be less concerned with customer requirements and more focused on individual tasks because the marketing department is looking after marketing. The result of the departmentalised approach may be an increase in a production philosophy at the expense of market-oriented behaviour.

Marketing strategies for services differ from that of physical products because service products possess different characteristics than physical products. This realisation was a result of numerous debates during the formative years of the services marketing discipline and has been reported on extensively throughout the literature (for example, Edgett and Parkinson 1993; Enis and Roering 1981; Fisk, Brown and Bitner 1995; Wright 1995; Wyckham, Fitzroy and Mandry 1975). Various continua were also developed during this time to visually present the differing characteristics, most notably

on the concept of intangibility (see Rathmell 1966; Rushton and Carson 1989; Shams and Hales 1989; Shostack 1977; Zeithaml 1981).

A result of the development of the various continua is the now generally accepted characteristics of services that are used to differentiate services from physical products. These characteristics, discussed in varying degrees of depth by researchers, are commonly cited as being heterogeneity, intangibility, perishability, and inseparability of production and consumption, labelled here as the HIPI characteristics. These characteristics have been discussed and debated extensively in the literature (for example, Berry 1980; Bharadwaj, Varadarajan and Fahy 1993; Buckley et al. 1992; Cowell 1993; Dahringer 1991; Dant, Lumpkin and Rawwas 1998; Edgett and Parkinson 1993; Enis and Roering 1981; Laroche, Bergeron and Goutaland 2003; Murray and Schlacter 1990; Nicoulaud 1989; Schlissel and Chasin 1991; Stell and Fisk 1986; Ward 1993; Wolak, Kalafatis and Harris 1998; Wright 1995; Zeithaml, Parasuraman and Berry 1985). Although Edgett and Parkinson (1993) and Wolak et al. (1998) report that much of the services marketing literature conceptually supports the distinctive nature of the HIPI framework, there is relatively little empirical research in this area, out of which conflicting findings have emerged (see Bowen 1990; Hartman and Lindgren 1993; Murray and Schlacter 1990; Wolak et al. 1998).

It is interesting to note that a variation of the four HIPI characteristics were discussed as early as 1963 by Regan (who uses the term ubiquity rather than inseparability) but little interest appears to have been shown until the early 1980s. Other researchers have sought to include other characteristics such as ownership (Bradley 1995b; Buckley et al. 1992; Cowell 1993; Fifield 1992; Gummesson 1995; Kotler, Chandler, Brown and Adams 1994; Palmer 1994), or have provided more extensive lists (see Buckley et al.

1992; Campbell and Verbeke 1994; Groth 1995b; Gummesson 1995; Guseman 1981; Langeard et al. 1981; Lovelock 1991; Lovelock and Yip 1996; Srivastava and Smith 1994), but in general, the added characteristics could be included as subsets under one of the HIPI characteristics. However, the pedagogical attraction of HIPI seems to have proven a barrier to the wide acceptance of other characteristics. In practical terms, Buckley et al. (1992) suggest that it would be almost impossible to list all the characteristics of services due to the diversity within the service industry. Regardless of the number of distinguishing dimensions between goods and services, there remains widespread agreement that a difference in kind between goods and services exists rather than a difference in degree. There has been only limited opposition to this view in the literature (for example, Enis and Roering 1981; Wyckham et al. 1975).

The acceptance of services possessing different characteristics as compared to physical products has had a profound effect on marketing strategies for service businesses. The result has been the extension of physical product marketing strategies and development of new considerations to allow for the differences. These characteristics, in particular intangibility, may for example, form entry barriers for service businesses. O'Farrell, Hitchens and Moffat (1993) provide examples such as reputation, brand identification, and established relationships with customers developed from advertising and word-of-mouth communication as barriers that can be difficult for competitors to replicate. In summary, as suggested by researchers (Albers-Miller and Stafford 1999; Athanassopoulos, Gounaris and Stathakopoulos 2001; Edgett and Parkinson 1993; Campbell and Verbeke 1994; Laroche et al. 2003; Lee and Ng 2001; van der Zwan and Bharmha 2003; Wolak et al. 1998; Zeithaml et al. 1985) the differentiating characteristics of services present unique challenges and opportunities for managing the strategic capabilities of service businesses, a number of which will be discussed in Chapter Five.

4.6 SUMMARY

A decade ago, a report on seaport marketing by the UNCTAD Secretariat (1992: 32) claimed that due to the highly competitive environment in which seaports operate, 'marketing is one of the most critical activities of a port'. In 1998, Zaheer commented that 'the importance of active marketing in port management and development has been recognised by the port community almost all over the world' (p. 73). Yet, it is still difficult to make an assessment on the development and current state of seaport marketing. Besides a small number of monographs, discussion on seaport marketing has been fragmented and based on what appears to be anecdotal evidence. Before further investigating the seaport marketing literature in terms of specific marketing activities and strategies being reported, the following chapter reviews suggestions for the marketing of service businesses to establish a potential benchmark for seaport marketing, thus addressing SRQ2.

CHAPTER FIVE

SERVICES MARKETING: A STRATEGIC TOOL FOR SEAPORTS?

5.1 INTRODUCTION

As seaports are service businesses, this chapter adopts a normative approach by examining seminal issues and strategies in marketing appropriate for service businesses. In particular, this chapter discusses the elements of the expanded marketing mix, which is widely recognised as being useful for developing strategies for service businesses, in addition to market research, segmentation and CRM strategies. The benefit of undertaking a normative approach is that it provides a benchmark from which research on seaport marketing (as discussed in the following chapter) can be determined. This comparison will also be important when discussing the data resulting from the primary data collection that is discussed in Chapters Eight to Ten and thus further evaluating whether the current Australian seaport marketing activities and strategies are relevant (as per SRQ2). This in turn will form the basis of addressing PRQ1:

What marketing activities and strategies are appropriate for Australian seaports in the New Economy?

5.2 MARKETING STRATEGIES

An effective means of satisfying both customer requirements and organisational objectives is by developing and implementing marketing strategies. As discussed in Chapter Four, being market-oriented is one such strategy that focuses on current and potential customers and competitors, although, as a business philosophy it is likely to be a corporate strategy. A market orientation is also expressed as being at ‘the very heart of modern marketing management and strategy’ (Narver and Slater 1990: 20). Marketing strategy however, tends to be a functional strategy, which when integrated with other functional strategies such as HRM and finance, are subsumed by the corporate strategy (Bigné, Vila-López and Küster-Boluda 2000; Brownlie and Saren

1992; Harris and Ogbonna 2000; Hult et al. 2001; Jarratt and Fayed 2001; Piercy et al. 2002; Subramanian and Gopalakrishna 2001).

Just as functional strategies implement corporate strategy, Webster (1988) explains sub-functional strategies implement the functional strategies. In the case of marketing strategy, the sub-functional strategies refer to the marketing mix strategic variables that for physical products generally consists of product development and management, pricing, promotion, and place (also known as “distribution”), all targeted at a particular market segment. The marketing mix, or more accurately the traditional marketing mix, is commonly known as the 4Ps in reference to the first letter of each element (**p**roduct, **p**rice, **p**romotion, **p**lace). As Fifield (1992) and Kahn and Mentzer (1998) explain, marketing strategy is the development and execution of the marketing mix. The strategic challenge is in blending each element of the marketing mix to form a cohesive approach.

Magrath (1986: 46) is one researcher who describes the 4Ps as ‘strategic weapons’ and along with Brooksbank (1991) suggests that altering one of these strategic weapons may provide a competitive advantage. Many researchers however (including Booms and Bitner 1981; Cowell 1993; Fifield 1992; Grönroos 1980, 1989; Gummesson 1994; Kostecki 1994a; Magrath 1986; Palmer 1994), suggest the traditional marketing mix is an inadequate strategic framework for representing the complexities of services due to the complications created by the HIPI characteristics.

5.2.1 The expanded marketing mix

As discussed above, for many years, the traditional marketing mix has been recognised as the core of marketing (Grönroos 1989), or in Gummesson’s (1994) view as the

reigning paradigm of marketing management. However, because of its development for the North American marketing environment and its strong emphasis on mainly consumer goods, there are concerns that the traditional marketing mix is not readily transferable to other forms of marketing such as for service businesses, or the marketing environments of other countries (Beaven and Scotti 1990; Cowell 1993; Grönroos 1989; Gummesson 1994). A number of researchers (such as Judd 1987; Kotler 1986; Lovelock, Wirtz and Keh 2002; Mindak and Fine 1981; Nickels and Jolson 1976; Prus and Frisby 1987) have suggested additional elements be added to the marketing mix to overcome its limitations. Kotler (1986) for instance, adds political power and public relations to the 4P marketing mix, and refers to it as megamarketing, Nickels and Jolson's (1976) addition was that of "packaging", Judd (1987) added "people", and Mindak and Fine (1981) included "public relations" as a fifth element for service businesses. However, the alterations to the traditional marketing mix that have endured are collectively known as the expanded marketing mix developed by Booms and Bitner (1981) from the initial conceptualisations of the traditional marketing mix by Borden (1965) and McCarthy (1964).

Booms and Bitner's (1981) contribution is the addition of the strategic elements of physical evidence, process and participants to the traditional marketing mix of the 4Ps to form the expanded marketing mix or 7Ps. They also propose some modification to the original 4Ps to reflect the different needs of services. By making these changes, Booms and Bitner (1981) provide a comprehensive and all-encompassing approach to managing a service business. Although there have been calls for empirical testing (for example, Cowell 1993; Grönroos 1989), the expanded marketing mix is widely accepted as a framework that identifies additional elements to be considered when developing marketing strategies for service businesses (Pieters and Botschen 1999;

Rafiq and Ahmed 1995). However, this does not necessarily signify consensus among researchers, for example, a recent variation of the expanded marketing mix proposed by Lovelock et al. (2002) adds “productivity and quality” to make 8Ps, as well as making other terminological changes.

5.3 SERVICES MARKETING STRATEGIES

Although the expanded marketing mix appears to be simplistic in nature, it contains many complex sub-functional strategies aimed at overcoming the challenges to service businesses created by the HIPI characteristics (Booms and Bitner 1981; Zeithaml et al. 1985). Many concepts and strategies are implicit but not initially evident. For example, the foundation activities of market research and segmentation do not appear to be explicitly addressed as they are accepted as givens necessary to undertake strategic decisions as well as being necessary components of a market orientation. In addition, the expanded marketing mix does not appear to focus on CRM strategies such as customer satisfaction, service recovery and customer complaint management, all that are seen as necessary for customer retention. Once again, these aspects of marketing are implicit within a market orientation. Thus, the expanded marketing mix will only be used here as a foundation on which to examine a more complete approach to services marketing strategies.

In the following sections, marketing strategies for service businesses are reviewed. As the implementation of a market orientation has previously been addressed, the following sections discuss market research, segmentation, and CRM, in addition to the elements of the expanded marketing mix. These strategies are intended to be illustrative of the

seminal and often-referred to services marketing activities and strategies in the literature.

5.3.1 Market research and segmentation

Botten and McManus (1999) explain that the essence of marketing for service businesses is being responsive to current and potential customer needs and thus the need for accurate market research. The importance of market research has already been highlighted in the explanation of the market orientation in that it provides a more informed understanding of the market in terms of customers and tracking changes in the external environment and of competitors that may influence marketing. In relation to customers, market research is recognised as a 'key vehicle to understanding customer expectations and perceptions of services' in terms of what is important to, and satisfies customers about the service (Zeithaml and Bitner 2003: 124). As customer expectations of the service are established prior to the service encounter, information gained from market research can help define customer expectations and increase knowledge on how to best address customer needs (Hoffman and Bateson 2002).

Accurate and comprehensive market research provides the foundation for strategic decisions and, as such, market research will be referred to throughout this chapter when discussing other specific marketing strategies. Zeithaml and Bitner (2003) make the point that even for small service businesses and those with limited resources, cost-effective market research is still possible. For example, when employees are in contact with customers, it can be used as an opportunity to gain an understanding of their views of the service product and how it compares to what competitors are offering. Telephone surveys with customers and the use of mystery shoppers are other cost-effective market research techniques that can be used besides paper-based surveys and focus groups.

By undertaking market research and gaining an understanding of the customer base, profitable customer segments may be identified. Besides segmentation being recognised as 'a fundamental concept in modern marketing' (Söllner and Rese 2001: 25), it is also described by Van Dierdonck (1992) as being a success strategy for service businesses and relates to understanding which customer group other marketing strategies will be aimed at. In essence, the service business is defining with whom it wishes to build a relationship. By clearly focusing on discrete customer segments, marketing strategies may be more effective.

Close linkages exist between market research and segmentation. Further discussion on how both market research and segmentation can be used for strategic advantage will occur during the discussion of relevant expanded marketing mix elements later in the chapter. Once profitable market segments are identified and analysed through market research, direction can be given to the strategic elements within the expanded marketing mix.

5.3.2 Service product strategies for service businesses

The service product has been explained throughout the literature via various models (such as those by Eiglier and Langeard 1977; Grönroos 1990; Lovelock 1995; Lovelock et al. 2001; Sasser, Olsen and Wyckoff 1978; Shostack 1977, 1987). Most models suggest that the service product consists of a core service and a variety of supplementary services. The core service, or what Ashar (2001) refers to as basic services (as discussed in Chapter Two), is generally recognised as the fundamental reason for being in business. Supplementary services although sometimes titled peripheral, ancillary, auxiliary, supporting or facilitating services, refer to services that assist in the delivery of the core service (Carman and Langeard 1980; Eiglier and

Langeard 1977; Grönroos 1990; Hightower, Brady and Baker 2002; Lovelock et al. 2001; Mudie and Cottam 1993; Sasser, Olsen and Wyckoff 1978).

An often referred to conceptualisation is the augmented service offering model by Grönroos (1990), which although similar to previous models, differs by its direct referral to both goods and services as opposed to only services as being supplementary to the core service. The inclusion of goods is consistent with Shostack's (1977) molecular model that conceptualises service products as having both tangible and intangible elements. Additionally, Grönroos (1990) refers to supplementary services as being either facilitating or supporting goods and services, all which he recommends be managed in a strategic fashion with the core service. Facilitating goods and services are those considered necessary for providing the core service in that they aid delivery and consumption and enable the core service to be used more effectively. The purpose of supporting goods and services is to provide a means of differentiation from competitors by adding value to the core service.

As competition in service industries increases, the opportunity for service businesses to compete on the core services becomes limited, thus supporting goods and services may also become a potential source of competitive advantage (Grönroos 1990; Hightower et al. 2002; Lovelock 1983). Lovelock et al. (2001) suggest an important strategic decision is in deciding whether to outsource the facilitating and supporting goods and services, thereby allowing the service business to concentrate on providing the core service. The challenge in making this decision is whether the outsourced activities can be seamlessly combined with the service business at the required level of quality.

An important consideration for service businesses is to manage the greater risk that customers perceive when purchasing a service due to the characteristic of intangibility and the dominance of experience and credence qualities (as reviewed by Desai and Mahajan 1998; Heiman, McWilliams and Zilberman 2001). This means that services may be difficult to evaluate, leading to the perception of services being risky to purchase (Athanassopoulos et al. 2001; Chaudhuri 1997; Dant et al. 1998; Flipo 1986; Guseman 1981; Laroche et al. 2003; Lee and Ng 2001; Murray 1991; Smith and Bush 2002). Murray and Schlacter (1990) explain that perceived risk may be reduced by encouraging trial offers and using tangible clues (as discussed further in the section on physical evidence). They also recommend managing the customer contact process by selecting service-oriented employees trained on how to decrease perceived risk.

According to the literature, it may be beneficial for a service business to consider the service product as being multi-faceted. This requires deciding the appropriate set of facilitating and supporting goods and services to complement the core service as well as understanding which aspects of the service product may provide a competitive advantage. In addition, a service business should consider the strategies that help reduce perceived risk.

5.3.3 Distribution strategies for service businesses

The nature of the service encounter and the characteristics of perishability and inseparability generally mean that distribution strategies such as channel management may be perceived as being less important for service businesses (Parasuraman and Varadarajan 1988). A major reason for this is that for many service businesses only direct distribution is possible as opposed to the multiple and multi-level intermediary channels of other businesses. Often, channels in service businesses are therefore shorter

and more direct than traditional distribution channels (Botten and McManus 1999). However, as the impact of technological innovations increase, direct contact between service providers and customers is not always necessary. Consider, for example, changes made to banking due to the ability to make transactions over the internet as against interacting in person with a bank teller. An advantage of technological innovation for service businesses is that they can attract different segments interested in one distribution channel and not the other depending on their needs. Customers using the more remote forms of contact often results in them undertaking a greater role in providing the service because they are required to fulfil some of the activities usually undertaken by the customer contact employee. In other words, the customer's role as an unpaid part-time employee increases.

A physical distribution system is not generally required for many service businesses because there are few, if any, tangible elements distributed. Instead, Rushton and Carson (1989) suggest that service businesses undertake office procedures rather than physical distribution. Some services such as restaurants (and seaports) are physically bound, whereas others, usually those offering highly intangible services such as information-based services, may be delivered via telecommunications technology. Other services, according to Lovelock and Wright (2002: 12), 'combine the service factory, retail outlet, and point of consumption at a single location', while others have the option of providing the service at the customer's location as well as the customer receiving the service at the service business location.

Distribution channels however, can influence costs and thus the price of services particularly when convenience and standardisation are balanced against the personal service encounter. Conducting market research on customer preferences may be useful

to determine the amount they are willing to pay to access a particular distribution channel. When considering which distribution channel to use, opportunities may exist for cost-conscious service businesses to use third party intermediaries such as agents, service representatives, or franchises. To the customer however, it may appear they have a direct relationship with the actual service business. Lovelock and Wright (2002) suggest this is a cost-effective marketing strategy particularly for supplementary service elements because using third party intermediaries may enable the service business to access more customers.

5.3.4 Pricing strategies for service businesses

The pricing of services is described as a 'nebulous area' by O'Farrell et al. (1993: 6). In particular, researchers have expressed their concern over a lack of understanding and research on the pricing of services, which requires attention considering that pricing is an important means for generating revenues and thus profit (Berry and Yadav 1996; Jobber and Shipley 1998; Schlissel and Chasin 1991; Tung, Capella and Tat 1997;). As is the case for most services marketing strategies, pricing is complicated by the characteristics of services, in particular intangibility, which explains why pricing strategies for service businesses should differ from other organisations (Edgett and Parkinson 1993; Groth 1995b; Rushton and Carson 1989; Schlissel and Chasin 1991).

Due to the impact of intangibility, pricing is a valuable clue enabling customers to evaluate the quality and delivery of the service product provided the pricing is understandable and not complicated (Berry 1980; Booms and Bitner 1981; Edgett and Parkinson 1993; Guseman 1981; Rushton and Carson 1989; Sasser et al. 1978; Voss, Parasuraman and Grewal 1998; Zeithaml 1981). Customers search for clues such as pricing to reduce the perceived risk of purchasing services. Price and physical evidence

are the two most often used clues by customers (physical evidence is discussed in-depth later in this chapter). Whereas physical evidence provides tangible clues to the perceived quality of the service product, price has a different function. For example, some researchers (such as Berry 1980; O'Farrell, Hitchens and Moffat 1993; Sasser et al. 1978) warn against reducing prices because customers may perceive lower priced services to be of either lesser value, poorer quality, or the service provider to be less experienced. This in turn may create a negative image of the service business (Edgett and Parkinson 1993; Gotlieb 1989; Voss et al. 1998). Conversely, customers perceive that the higher the price, the better the delivery of the service product, meaning that pricing can be used to build confidence. However, Zeithaml et al. (1985) suggest customers purchasing higher priced services may have less tolerance for unreliable services and broken promises. Due to the perceived relationship between price and service quality, Gotlieb (1989) and Voss et al. (1998) recommend that it is useful to explain to customers why a service is offered at a price less than competitors. Essentially, the extant research suggests that pricing is and reduces suspicions of hidden charges when it is understandable and not complicated.

A variety of pricing strategies for service businesses is reported within the literature. Cost-oriented pricing strategies, which involve adding a set profit margin to the cost, are commonly reported for service businesses (Rushton and Carson 1989; Schlissel and Chasin 1991; Zeithaml et al. 1985). An explanation for a preference towards cost-oriented strategies in some service industries appears to be related to businesses wishing to ensure their costs are covered, even though these costs are often based on estimates. Estimates of the costs are often used because of the difficulty in calculating fixed and variable costs (Dearden 1978; Lovelock 1981). This, according to some researchers (Phillips and Sanders 1997; Rushton and Carson 1989; Schlissel and Chasin 1991; Tung

et al. 1997), is due mostly to the effects of intangibility, heterogeneity and the inability to inventory services, which they claim makes cost-oriented pricing strategies simplistic and ineffective because it does not maximise profits or consider supply/demand fluctuations.

Other pricing strategies used by service businesses include competitive-oriented pricing, as used in industries such as airlines and banks (Guiltinan 1987); flexible-oriented pricing strategies that vary according to what the market will bear (O'Farrell et al. 1993); and demand-oriented pricing, which is used because services are unable to use inventories (Voss et al. 1998). This can however, result in various prices being used thus creating confusion in the market.

Tung et al. (1997) attempt to account for the characteristics of services and other difficulties faced by service business managers by proposing a multistep (six step) synthetic pricing approach similar to that discussed by Schlissel and Chasin (1991). Perhaps due to its technical nature and complexity, this approach is yet to be reported on as being used by service businesses. Berry and Yadav (1996) adopt a different tact for discussing approaches to service pricing. A recommendation from their research is that service businesses first attempt to understand what it is about the service product that the customer values before determining the pricing strategy. This value approach to pricing has been raised by others (for example Booms and Bitner 1981; Groth 1995a; Naylor and Frank 2001) as an alternative to cost-oriented pricing. Brooksbank (1991: 25) also suggests successful companies tend to use value as a means of competition rather than price, the reason being that although competing on price alone is a useful strategy for new businesses entering a market, price wars may occur resulting in profits being eroded for all competing businesses.

Once value is recognised, Berry and Yadav (1996) suggest one of three pricing strategies be implemented - satisfaction-based pricing, relationship pricing, or efficiency pricing. The goal of satisfaction-based pricing is to reduce customer uncertainty in terms of the perceived risks. Berry and Yadav (1996) suggest using service guarantees, benefit driven pricing, or flat price pricing to overcome this uncertainty. For example, service guarantees have been recognised for some time as a means of reducing perceived risk and customer uncertainty (Firnsthahl 1989; Groth 1995b; Guseman 1981; Jones, Mothersbaugh and Beatty 2002). As Berry (1995: 243) explains, service guarantees symbolise the service business is committed to 'fair play'. Berry and Yadav (1996) also recommend service businesses yet to establish a reputation in the market, or those with superior service quality develop service guarantees as part of their pricing strategies.

The second strategy of relationship pricing attempts to develop profitable customer relationships by establishing long-term price contracts that often offer incentives or use price bundling to reduce purchase costs for customers and increase revenue for the service business. The use of price bundling is also recommended by Gultinan (1987) and Naylor and Frank (2001) as a strategy to acquire new customers or to prompt customers to buy more than one service in a bundle. Price bundling is becoming widespread in its use and has the advantages of creating economies of scope as the demand for the weaker service product in the bundle increases. Hartman and Lindgren (1993) suggest price bundling (and off season pricing) can also be used to offset perishability by reducing any excess.

Berry and Yadav's (1997) third strategy of efficiency pricing approaches involves using more efficient service delivery processes to reduce costs to the organisation thus

lowering prices to customers. This strategy typically involves the service business making a greater use of information and communication technologies. The strategy of efficiency pricing tends to be internally focused on the service business systems that may require the use of service blueprinting (to be discussed in Section 5.3.8).

Although a number of pricing strategies are discussed in the literature in terms of their advantages and disadvantages, as mentioned earlier, a consistent conclusion is that pricing is more credible to customers when it is understandable and uncomplicated because suspicions of hidden charges are reduced. Another general conclusion is that reliance should not solely be placed on one strategy. Instead, a combination of pricing strategies is recommended. Conclusions such as this add weight to Tung et al.'s (1997) multistage synthetic pricing model because of its strengths in amalgamating many pricing approaches.

5.3.5 Marketing communication strategies for service businesses

It is generally accepted that marketing communication strategies for service businesses should be more extensive than marketing communication strategies of physical products. Once again, this is usually attributed to challenges created by problems caused by intangibility, perishability, and the difficulty of customers evaluating the service product (Albers-Miller and Stafford 1999; Edgett and Parkinson 1993; George and Berry 1981; Mittal 2002; Mortimer 2002; Rushton and Carson 1989; Shostack 1977; Stafford 1996; van der Zwan and Bhamra 2003; Zeithaml 1981). For example, Flipo (1988) explains how intangibility can be reduced by marketing communication to reassure customers and build their confidence in the service product. Marketing communication strategies for services may influence customers' initial expectations of

the service product, positively impacting on customer satisfaction levels if expectations are met or exceeded (Clow, Kurtz and Ozment 1998; Gummesson 1995; Joshi and Arnold 1998; Stell and Fisk 1986; Webster and Sundaram 1998). As Bharadwaj and Menon (1993: 24) explain, marketing communication is a 'strategic tool' enabling markets to be penetrated by influencing potential customers' expectations and perceptions of the service being offered.

Due to the complexities created by the characteristics of services, the promotions mix commonly used for physical products is not sufficient for service products. Researchers recommend additional marketing communication strategies be developed for use prior to and during the service delivery such as word-of-mouth communication as well as making greater use of physical evidence (Booms and Bitner 1981; Conduit and Mavondo 2001; O'Farrell et al. 1993; Stell and Fisk 1986; Zeithaml, Berry and Parasuraman 1993; Zeithaml et al. 1985).

Of the five components of the promotions mix, namely advertising, publicity, public relations, sales promotion, and personal selling, it is advertising that has received more attention for service businesses even though personal selling is an important aspect of the interaction between customers and employees (Booms and Bitner 1981; Edgett and Parkinson 1993; Parasuraman and Varadarajan 1988; Rushton and Carson 1989; Zeithaml et al. 1985). Although Zeithaml et al. (1985) debate the effectiveness of various promotional media for service businesses, Rushton and Carson (1989) suggest that the amount and type of media used is generally associated with the size of the business and may be affected by legal and professional regulations.

Tangibilising the service product has attained wide consensus for its role in helping promote services (Edgett and Parkinson 1993; Flipo 1988; Frambach, Barkema, Nooteboom and Wedel 1998; George and Berry 1981; Greene, Walls and Schrest 1994; Grove, Carlson and Dorsch 2002; Hartman and Lindgren 1993; Levitt 1981; Mittall 2002; Mortimer 2002; Murray 1991; Reddy, Buskirk and Kaicker 1993; Rushton and Carson 1989; Shostack 1977; Stafford 1996; Zeithaml 1981). These forms of physical evidence include the use of symbols, metaphors and similes that may become 'surrogates for the intangibility that cannot be provided or experienced in advance' (Levitt 1981: 96). Rushton and Carson's (1989: 38) empirical work suggests that tangibilising the intangible elements 'seems to be almost instinctive' because service businesses believe they need something to display to customers. In addition, it ensures consistency between physical evidence and promotions (George and Berry 1981; Greene et al. 1994). Flipo (1988) however, in a conceptual discussion, places a caveat on the supposed need to tangibilise all services. He proposes that where the intangible element has high credibility, for example an excellent professional reputation, then that intangible element may counterbalance tangible elements such as an unkempt appearance. That is, it is not always vital that intangibles be tangibilised, instead, the focus should be on ensuring consistency between intangible and tangible elements.

5.3.5.1 Word-of-mouth communication strategies

Word-of-mouth communication is an important means of promotion for service businesses because of the experiential nature of the service product and factors such as intangibility and heterogeneity (Zeithaml et al. 1985). It has been found to be perceived by customers as being less biased and more credible than traditional promotional methods and other impersonal sources of information (Murray 1991; Swanson and Kelley 2001; Zeithaml 1981; Zeithaml et al. 1993). One reason for this perception is

that it is difficult for mass media communication to communicate experience (Zeithaml 1981). A benefit then of encouraging positive word-of-mouth communication is that it reduces customers' perceived risk of purchasing services, decreases cognitive dissonance, and may increase the likelihood of repeat purchases (Maxham 2001; Murray 1991; Smith and Bush 2002; Swanson and Kelley 2001).

Word-of-mouth communication generally occurs between a prospective customer and experienced customers who may be friends or family of the prospective customer or people recognised as experts (Davies, Baron and Harris 1999; Duhan, Johnson, Wilcox and Harrell 1997; Edgett and Parkinson 1993; Guseman 1981; Levitt 1981; Murray 1991; Smith and Bush 2002; Zeithaml 1981; Zeithaml et al. 1993). Further, Duhan et al. (1997) found that the stronger the personal relationship between the prospective customer and the source of information (known as tie strength), the more reliance is placed on the recommendations by the prospective customer.

Other means of encouraging word-of-mouth communication is to use opinion leaders and reference group members as providers of information and testimonials (McColl-Kennedy, Kiel, Lusch and Lusch 1994; Zeithaml 1981); training employees to be knowledgeable of the service product to enable positive information to be communicated to customers (George and Berry 1980; Greene et al. 1994); and providing customers with information about the service product either via employees or other promotional media, including publicity and public relations campaigns to keep customers informed so they become 'effective transmitters of information' (Murray 1991: 21). The role of employees in communication strategies can not be underestimated in service businesses nor can the importance of employing service-oriented employees.

The consensus of empirical studies on word-of-mouth communication is that it is a vital means of services marketing communication (Duhan et al. 1997; Greene et al. 1994; Murray 1991; Zeithaml et al. 1985, 1993). That is, it is not sufficient to discuss services marketing communication only in terms of the promotions mix; word-of-mouth communication must be included. Zeithaml et al.'s (1993) model of the nature and determinants of customer expectations in service businesses suggests there is an interdependent relationship between word-of-mouth communication, promotional communication (explicit service promises), and physical evidence and price (implicit service promises). They argue that when combined with internal search factors such as past purchasing experience, these means of marketing communications are all influential in influencing customer expectations. Similar models developed by Duhan et al. (1997) and Murray (1991) also refer to word-of-mouth communication as being important in reducing the prospective customer's perceived risk of purchasing services. Murray (1991) also points out that as perceived risk increases, word-of-mouth communication becomes the preferred external search factor.

5.3.6 Physical evidence strategies for service businesses

The relationship between physical evidence and promotion is particularly interlinked during the consumption and production of the service product (Booms and Bitner 1981). It is during this period that the physical evidence must conform with how the product has been promoted to potential customers. For example, a customer would expect to see evidence of an efficient modern workplace using technologically advanced equipment if promotional material advertised a "state of the art" service business. If this does not occur, customer expectations may be too high thus negatively affecting customer satisfaction levels (Clow et al. 1998; Gummesson 1995; Stell and Fisk 1982).

As the purchase of many service products requires the customer to be present, the customer interacts with the physical evidence of the service business, notably the employees, equipment and working environment. The literature on physical evidence is extensive with the majority of research reporting many potential sources of physical evidence (for example, Berry 1980; Clow and Vorhies 1993; Edgett and Parkinson 1993; Flipo 1988; Greene et al. 1994; Grönroos 1980; Grove and Fisk 1992; Grove, Fisk and Bitner 1992; Kotler and Levy 1969; Laroche et al. 2003; McDonald, de Chernatony and Harris 2001; Murray and Schlacter 1990; Shostack 1977, 1987; Zeithaml et al. 1985). The majority of sources of physical evidence are often repeated in many of the above studies. The sources include the internal and external tangible aspects of the service business such as architecture, decoration and furniture; the colours and brightness of the service business; equipment used to deliver the service including machinery and transportation; signage; promotional materials such as brochures; the display of awards or employee qualifications; documentation including correspondence, invoices and business cards; other supplementary goods facilitating service delivery such as tickets and toiletries; other customers in the service system; and, as mentioned earlier, the service personnel.

According to Shostack (1977) and others (for example, Booms and Bitner 1982; Levitt 1981), physical evidence is analogous to the packaging of tangible products as it facilitates delivery of the service. Other research discusses physical evidence as being scenery and props within a theatrical metaphor (as in Grove and Fisk 1992; Grove et al. 1992). According to Reddy, Buskirk and Kaicker (1993), the assortment of sources of physical evidence can significantly influence customer and employee behaviour as well as deciding the success or failure of marketing strategies of service business. The extent

of physical evidence was alluded to over 30 years ago by Kotler and Levy's (1969: 13) claim that 'everything about an organization talks'.

Besides being an integral component of the service product, physical evidence is also noted for its role in facilitating the service process and delivery of the service product. This includes for instance, the environment or "servicescape" (Bitner 1992; Hoffman, Kelley and Chung 2003) of the service business and its relation to enhancing the service encounter and affecting the productivity of service personnel. This includes the tangible environment in relation to temperature, lighting and office layout that can encourage different behaviours. The servicescape is reported as having a direct influence on customer behaviour, where for example, retailers have increased music tempo and found higher customer expenditure (Aubert-Gamet and Cova 1999; Bruner 1990; Herrington and Capella 1994, 1996; Hightower et al. 2002; Hoffman et al. 2003). A point made by Bitner (1992) is that both customers and employees respond to the servicescape holistically, and therefore all aspects of the service business should be managed.

It has been recommended for almost three decades that the sources of physical evidence be managed consistently as a matter of high priority (Berry 1980; Grove and Fisk 1992; Shostack 1977; Stell and Fisk 1986; Zeithaml et al. 1985). This imperative is related to the fundamental characteristics of services. That is, because of the problems created by intangibility and experience and credence qualities, sources of physical evidence are able to provide tangible clues to the quality of the service product. This provides tangible reassurance to the customer and assists customer evaluation thus influencing their preferences towards given services (Aubert-Gamet and Cova 1999; Berry 1980; Clow and Vorhies 1993; Edgett and Parkinson 1993; Flipo 1988; Grönroos 1980; Grove

et al. 1992; Hartman and Lindgren 1993; Hightower et al. 2002; Laroche et al. 2003; Levitt 1981; Murray 1991; Murray and Schlacter 1990; Shostack 1977; Stell and Fisk 1986; Zeithaml 1981).

The role of physical evidence in some service businesses may be so important that in addition to the price of the service product, it may be the only clue to service quality available to the customer (Berry 1980; Clow and Vorhies 1993; Frambach et al. 1998; Hightower et al. 2002; Zeithaml 1981, 1988). Thus, manipulation of the various sources of physical evidence in an integrated manner allows the conveyance of a consistent message or image for the service business (Berry 1980). Based on customers' overall impressions of the service encounter, marketing communication and/or physical evidence, customers may form an image of the service business regardless of whether an image is cultivated (Clow and Vorhies 1993; Greene et al. 1994; Kotler and Levy 1969; Zeithaml et al. 1985).

Image can be thought of as referring to the professional reputation of the service business (Flipo 1988; Stell and Fisk 1986). In Bharadwaj and Menon's (1993) investigation of the determinants of success in service businesses, they suggest the creation of an appropriate image is a key strategy because it can increase market share and reduce business risk. This can be achieved because image reduces uncertainty for customers and helps their decisionmaking process. Image is also recognised as a source of competitive advantage because it is difficult for others to imitate (Abratt and Mofokeng 2001; O'Farrell et al. 1993). Grönroos' (1990) conceptualisation of managing the service product includes using communication to form and enhance image. Stell and Fisk (1986) hypothesise that if a customer's image of a particular service business is vague, he/she may rely on word-of-mouth communication when

selecting services. Image then, along with physical evidence may be a useful strategy for positioning a service business in customers' mindsets (Abratt and Mofokeng 2001; Edgett and Parkinson 1993; Grove and Fisk 1992; Grove et al. 1992; McDonald et al. 2001; Shostack 1987; Stell and Fisk 1986).

5.3.7 Employee and customer strategies for service businesses

Given the level of face-to-face interaction undertaken in service businesses, one of the most important strategies in services marketing relates to effective management of the participants in the interaction - the customers and employees (Beckett-Camarata et al. 1998; Bove and Johnson 2001; Hightower et al. 2002; Rushton and Carson 1989; Webster and Sundaram 1998). Flipo (1986) explains that success in external markets, that is, with customers, is highly dependent on success with internal markets, that is, the employees. This dependence on people is typified by Berry, Conant and Parasuraman's (1991) suggestion that the primary role of marketing in service businesses is developing customer contact employees into becoming marketers.

Employees are described as being a source of competitive advantage in service businesses due to their ability to customise the service delivery and increase the relationship between the customer and organisation (Bharadwaj et al. 1993; Bienstock, DeMoranville and Smith 2003; Keltner and Finegold 1996). Conversely, they are also a major cause of heterogeneity within the service delivery because their performance can fluctuate not only from day to day, but also hour to hour, thus the imperative for developing effective HRM strategies. The role of customers can also be approached strategically. Through contact with employees and the service delivery process, customers can be encouraged to become unpaid part-time employees that contribute to

creating operations that are more efficient as well as increasing their satisfaction levels. This section is divided into two sub-sections, the first focusing on employee strategies and the second on customer strategies during the service encounter.

5.3.7.1 Employee-focused strategies

Employees have a pivotal role in delivering the service and interacting with customers, and as such, have a greater influence during service encounters on defining the nature of the encounter when compared to manufacturing organisations (Bienstock et al. 2003; Dubinsky 1994; Edgett and Parkinson 1993; Flipo 1986, 1988; Greene et al. 1994; Grönroos 1989; McDonald et al. 2001; Pitt and Foreman 1999; Shostack 1987; Solomon, Surprenant, Czepiel and Gutman 1985). This means that not only should the service be provided at the right time to the right place at the right price, but also in the right way to recognise the often necessary interaction between customer and employees (Berry et al. 1991). Employees who are customer contact personnel are able to better identify customer needs because they are not only physically close but may also become psychologically close to the customer (Schneider and Bowen 1984). Thus, employees may become a means of gaining additional, and often free, research on customers. Yet it is common for the most recently employed, least qualified and lowest paid employee in a service business to be the person who has the most contact with the customer; take for example check-out operators in supermarkets.

Employees perform many roles during the service encounter, for example, they provide clues to the quality of the service, offset the intangibility of the service product, and provide information about the service product to the customer (Abratt and Mofokeng 2001; Bateson 1995; Clow and Vorhies 1993; Rafaeli 1993; Sasser et al. 1978; Shostack 1977; Sparks and McColl-Kennedy 2001; Stell and Fisk 1986; Wilson 2001; Zeithaml

1981, 1988). Employees also use knowledge of role behaviours and scripts to guide customers through the service encounter (Solomon et al. 1985) during which they may alleviate customer apprehension and perceived risk, be a major contributor to customer satisfaction, and contribute to perceptions of service quality (Bitner, Booms and Tetreault 1990; Flipo 1988; Parker and Ward 2000; Schneider and Bowen 1993; Tansuhaj, Randall and McCullough 1988). As a result of the nature of the service encounter, employees are a very visible source of physical evidence and inevitably become a tangible representation of the service business (Adams and Colebourne 1989; Bateson 1995; Booms and Bitner 1981; Knisely 1979; Levitt 1981; Lovelock 1981; Rafaeli 1993; Sasser et al. 1978; Shostack 1977; Stell and Fisk 1986; Zeithaml and Bitner 2003). In addition, employees are often recognised by customers as being an integral part of the service product and the greater the employee/customer interaction, the more likely the customer views the employee as being the service product (Zeithaml and Bitner 2003).

In being a source of physical evidence, studies have affirmed the importance of the physical appearance of service personnel, the use of uniforms, and the conduct of service personnel in contributing to customer satisfaction (Berry 1980; Clow and Vorhies 1993; Edgett and Parkinson 1993; Grove and Fisk 1992; Grove et al. 1992; Hoffman et al. 2003; Knisely 1979; Lovelock 1981; McDonald et al. 2001; Rafaeli 1993; Webster and Sundaram 1998; Zeithaml et al. 1985). A study investigating the role of employee attire in a service business, suggests that employees wearing appropriate attire can assist in establishing rapport and status with customers enabling more effective service encounters (Rafaeli, Dutton, Harquail and Mackie-Lewis 1997). The study also found that a dress code or uniform reduced physical and emotional job stress for employees. In addition, Edgett and Parkinson (1993) explain that the use of

uniforms can prompt a customer to associate this tangible clue with the intangible service product.

It is not only employees in direct contact with customers who can influence the service encounter. Besides these customer contact personnel, or front-stage employees (Grove and Fisk 1992; Grove et al. 1992) there are many employees who work back-stage. These employees, in nominally operational activities, can still directly or indirectly affect the nature of the service product and customer satisfaction. This suggests then, that service employees may essentially become part-time marketers for the service business and although not formally part of the marketing function, may by default be undertaking marketing activities (Bradley 1995a; Doyle 1995; Drucker 1974; Grönroos 1989; McKenna 1991; Solomon et al. 1985; Trustrum 1989; Webster 1988, 1992). Appreciating that all employees in service businesses have the potential of interacting with customers and influencing customer satisfaction places greater awareness on the type of person to be recruited. This also means there is merit in all employees in service businesses having at least fundamental training in marketing.

A number of researchers highlight the necessity of effective HRM strategies in service organisations in terms of attracting, developing and retaining service-oriented employees (Berry 1995; Bitner et al. 1990; Conduit and Mavondo 2001; Edgett and Parkinson 1993; Fifield 1992; Grove et al. 1992; Jackson and Schuler 1992; McDonald et al. 2001; Pitt and Foreman 1999; Schlesinger and Heskett 1991; Schneider 1980; Schneider and Bowen 1993; Tansuhaj et al. 1988; Varey 1995). Attracting employees with a suitable personality has gained support in the literature (Schneider and Bowen 1995) because as Grove et al. (1992) suggests, not everyone is suited to be a customer contact employee. Although greater scope for research in this area exists (Hurley

1998), characteristics such as being able to cope with high stress, being sociable, agreeable, and having a service disposition are cited as being valuable when recruiting new employees (Gummesson 1995; Hurley 1998; Roberts, Lapidus and Chonko 1997). As not all employees may have been initially selected with a service disposition, this makes marketing training and education for these employees more of an imperative.

Training of customer contact employees in basic marketing concepts and their role in the marketing of the service business is recognised as being vital and essential for success (Bienstock et al. 2003; Booms and Bitner 1981; Bradley 1995b; Conduit and Mavondo 2001; Swanson and Kelley 2001). Also recommended is training in communication skills, motivation, appropriate behaviour, appearance, and being customer conscious (Grönroos 1981). Besides being functionally competent in relation to how employees perform their duties, Grönroos (1983) recommends they be technically competent in terms of being knowledgeable of the service product and delivery process as it yields many positive results (Berry 1980; Flipó 1986, 1988; George and Berry 1981; Grönroos 1980; Murray 1991; Pitt and Foreman 1999; Shostack 1977; Zeithaml et al. 1985, 1993). Additionally, customer contact employees should be provided with training to assist understanding of not only their own role but also the role of the customer in the service encounter (Jackson and Schuler 1992; Solomon et al. 1985). For example, Murray (1991) explains that employees could be trained to identify and provide additional information to first-time customers who may not understand the role of participants in the service encounter.

When interacting with customers, employees may need to make decisions that impact on the customers' levels of satisfaction. A challenge for employees is in understanding what they are empowered to approve when dealing with customers. Empowerment is

discussed extensively in the literature as being a necessary strategy for service businesses (for example, Argyris 1998; Beckett-Camarata 1998 et al. 1998; Birch and Perry 1997; Bowen and Lawler 1992, 1995) and providing a potential source of sustainable competitive advantage (Bharadwaj et al. 1993). Empowerment provides employees with more responsibility, authority and control over the service encounter where they can use initiative and creativity to increase customer satisfaction (Evans and Laskin 1994; Maxham 2001). The importance of empowerment in service organisations is summed up by Argyris (1998: 98) who states that 'no vision, no strategy can be achieved without able and empowered employees'. A further benefit of empowerment is in increasing both employee and customer satisfaction, which has a positive relationship with both employee and customer retention (Birch and Perry 1997; Schlesinger and Heskett 1991). Empowerment by itself however, is insufficient. It is not enough to empower service personnel unless the core service is improved, the tangibles enhanced, and advanced technology utilised (Argyris 1998; Bitner 1995; Bowen and Lawler 1995).

Much of the discussion in this section has focused on the relationship between the service business and customers via the employees. The other key relationship is between the service business and employees, which is undertaken by internal marketing. Strategically managing internal marketing is often described as being necessary for effective services marketing because of its direct relationship with external marketing strategy (Beckett-Camarata et al. 1998; Berry and Parasuraman 1991; Bradley 1995b; Cahill 1995; Conduit and Mavondo 2001; De Burca 1995; Grönroos 1990; Greene et al. 1994; Grove, Fisk and Bitner 1992; Hult et al. 2001; McLeod, Iverson and Buttigieg 1994; Varey 1995). In Tansuhaj et al.'s (1988) study of the linkages between internal and external marketing activities, they discuss recruitment, training, motivation,

communication and retention as being the internal marketing program, whereas others, as raised earlier, refer to these as being HRM strategies. Internal marketing applies marketing concepts to employees who are viewed as being internal customers whose jobs are equated to being an internal product (Beckett-Camarata et al. 1998; Berry 1981; Berry and Parasuraman 1991; Bitner 1995; Conduit and Mavondo 2001; Fisk et al. 1995; Flipo 1986; Grönroos 1981; Lewis 1995; Pitt and Foreman 1999; Tansuhaj et al. 1988), although this has been criticised as being too simplistic by others (Brownlie and Saren 1992; Cahill 1995; Varey 1995). Schneider and Bowen (1984) recommend that not only are employees internal customers, but that they should be treated as if they are highly valued customers.

Internal marketing strategies have found to provide many benefits. These essentially can be divided into two categories. The first is in improving internal environment outcomes such as increasing job satisfaction, reducing employee turnover, and developing an emotional attachment to the service business by creating enthusiasm, consistent behaviour and commitment to the general marketing strategy and customers (Berry 1995; Flipo 1986; McLeod et al. 1994; Rafiq and Ahmed 2000; Sheth and Sisodia 2002; Tansuhaj et al. 1988). Success in the internal market is often attributed to enabling external marketing success because of the ensuing employee commitment to a market orientation in the external environment (Berry 1980; Berry and Parasuraman 1991; Booms and Bitner 1981; Flipo 1986; Grönroos 1981; Grove and Fisk 1992; Grove et al. 1992; Lewis 1995; Rapert, Velliquette and Garretson 2002).

The second category of benefits relates to creating positive outcomes with the external environment via successful service encounters with customers (Greene et al. 1994). To gain the benefits in both internal and external environments requires effective

communication between management and employees. Tansuhaj et al. (1988) advocate communicating via employee surveys such as attitude or corporate culture surveys, providing feedback to employees, and having regular meetings with employees. Tansuhaj et al. (1988) also recommend using mass communication to employees such as in-house newsletters, brochures, videos, and other information about the service business products and marketing to enhance communication with employees. Other external benefits of internal marketing have been found to include assisting in controlling employee heterogeneity (Edgett and Parkinson 1993; Flipo 1986), increasing customer loyalty, providing superior customer service (Greene et al. 1994), and is a means of empowering employees (De Burca 1995). Essentially, as explained by Doyle (1995), unless there is a commitment to looking after employees, they will not look after customers. Thus, a common maxim used in internal marketing research is that satisfied employees means satisfied customers (Berry 1980; Conduit and Mavondo 2001; Doyle 1995; Fisk et al. 1995; Flipo 1986; Greene et al. 1994; Grönroos 1981; Lewis 1995; Michelson 1998; Rafiq and Ahmed 2000; Schneider 1980).

5.3.7.2 Customer-focused strategies

Depending upon the level of customer contact, customers have a fundamental role in the production and consumption phase of the service encounter (Bateson 1985). Customers may have an active or passive role during the service encounter. It is these role behaviours that should be communicated clearly to customers to assist in increasing efficiency and greater customer satisfaction (Riddle 1990). This is not always well understood and service businesses may not fully appreciate the potential impact of role management techniques for customers (Westwood and Joseph 1997). How customers can be managed more effectively is dependent upon the degree of contact the customer has during the service encounter. The greater the contact, the more necessary customer

management strategies become as the service offering is more difficult to control and standardise (Chase 1978). This has resulted in high contact service businesses utilising technology to reduce the heterogeneity but risking depersonalisation of service delivery. As Regan (1963: 61) put it four decades ago, this 'dehumanisation of services' is an attempt to standardise services, but the resulting efficiencies come at the expense of personalisation that can affect customer loyalty (Langeard et al. 1981; Rathmell 1966). The challenge then for service businesses is in maintaining personalisation and customisation, yet utilising technology to lower costs and increasing productivity via standardisation to reduce heterogeneity.

In many service businesses, customers play an important role as unpaid part-time employees that take an active role during the service encounter (Bateson 1985; Hope and Mühlemann 1997; Larsson and Bowen 1989; Manolis, Meamber, Winsor and Brooks 2001; Pieters and Botschen 1999; Rafaeli 1993; Riddle 1990; Schneider and Bowen 1984). Using customers as unpaid part-time employees allows the service business to take advantage of the customers' labour and even motivation. Thinking of customers in this way is recommended by Schneider and Bowen (1984) when developing new service delivery designs because a partnership can be created between employees, customers, and management in the service relationship. Further, customer satisfaction has been found to increase because customers perceive they have greater control during service delivery giving them more realistic expectations and ownership in the service outcomes (Bateson 1995; Caruana, Pitt and Berthon 1999; Fryar 1991; Westwood and Joseph 1997). To encourage customer participation, service businesses can firstly use customer education via promotional efforts to provide them with clues to the service process and secondly, provide employees with a script that assists them in coordinating customers (Larsson and Bowen 1989).

5.3.8 Service design and delivery strategies for service businesses

Service design and delivery refers to the operational component of a service business, which Fifield (1992) argues should be driven by the marketing objectives including segmentation and positioning strategies. This then ensures the service design and delivery conforms to targeted customers' requirements. The design of the service process is cited as being a key to successful service management (Gummesson 1994). It is during the service process that customers arrive, await delivery, often within a queuing system, before services are often produced and consumed simultaneously (Koschnick 1995). Although customers expect to share the service facility with other customers, each customer still hopes for some individual recognition and special treatment during the delivery. The challenge then is in determining how to deliver the service with a level of personalisation efficiently and effectively to satisfy customer requirements.

Service blueprinting is a management tool used to design and manage the delivery of a service as well as provide a systematic approach to identify inefficiencies in service production (Kingman-Brundage 1995; Berry, Parasuraman and Zeithaml 1994; Larsson and Bowen 1989). A common means of service blueprinting is separating the service business into a frontline zone, which interacts with customers, and a backstage zone that provides support functions. These zones are often divided by a "line of visibility" in relation to what the customer sees of the service process, against that which is hidden. Developing a service blueprint requires an integrated understanding of the role of customers, employees, the physical evidence, technology, and how the service is produced and then consumed by the customer (Gummesson 1994). The benefit of

developing a service blueprint is that potential failure points, such as bottle-necks, can be identified. Although blueprinting is the most publicised method of service design (Gummesson 1994), it is criticised by Baum (1990) as being used for short-term gains rather than used strategically. Instead of implementing blueprinting to address isolated incidents such as uncovering customer complaints, Baum (1990) suggests it be used more effectively to constantly monitor inefficient practices in the delivery of the service product to enable greater customer satisfaction.

To be effective, the service design must consider the role of employees and level of empowerment because discretion is required within the system when dealing with customers (Gummesson 1995). Other considerations are the use of technology, the level of customer contact and customer involvement, and amount of service product customisation (Chase 1978; Shostack 1987). The greater the contact with customers, the more heterogeneity is introduced and less opportunity to gain effectiveness from standardisation.

In high contact service businesses in particular, managing supply and demand is a major issue because, for example, customers may be in the service business waiting to be served (Chase 1978). A major reason why it is difficult to synchronise supply and demand is due to the perishability of the service product. A number of strategies are recommended by the literature for coping with fluctuating demand during peak demand periods. For example, strategies during times of high demand include hiring casual employees, asking employees to work overtime, training employees so they are multi-skilled, substituting technology for employee job tasks, pre-selling services, and making use of customers as partial employees (Berry 1980; Edgett and Parkinson 1993; Lee and Ng 2001; Lovelock 1981; Shemwell and Cronin 1994; Zeithaml et al. 1985). In

attempts to level out demand, the researchers also recommend the use of differential pricing by implementing peak and off-peak pricing to encourage non-peak demand, using more promotion to attract greater customer usage, developing reservation systems, and bundling services together for greater sales. Strategies for service businesses with excess capacity include increasing promotional efforts and other means of service differentiation (as discussed in earlier sections). In addition, service businesses not physically bound to the location where the customer enters the business may also be able to extend their service delivery. These service businesses may be able to deliver the service at the customer's location, at a third-party site, or in a non-personal interactive form such as via the internet (Gummesson 1995; Segal-Horn 1989).

5.3.9 CRM strategies for service businesses

Berry (1995) suggests that service businesses can increase market share in three ways: attracting new customers; doing more business with existing customers; and reducing customer defections to competitors. According to Berry, the focus of marketing until recently was on acquiring new customers. He claims that securing customer loyalty 'was not a top priority of most businesses nor a research interest of marketing academics' (p. 236). Since then, a number of strategies have developed on how to retain customers by managing the relationship between the service business and customers. The strategies include customer satisfaction, relationship marketing, customer retention, service recovery, and complaint management. These strategies, as discussed in the following sections, are now collectively known as CRM.

5.3.9.1 Customer satisfaction

Three decades ago, Drucker (1974: 79) stated that satisfying customers is the mission and purpose of every company. Yet over 20 years later, researchers such as Doyle

(1995: 37) and others (including Athanassopoulos et al. 2001; Babin and Griffin 1998; Brady and Robertson 2001; Homburg and Rudolph 2001; Sparks and McColl-Kennedy 2001; Szymanski and Henard 2001; Webster and Sundaram 1998) were still arguing that customer satisfaction should be the ‘major criterion for judging the success of the firm’s processes and for evaluating and rewarding personnel at all levels’. Customer satisfaction occurs as a result of “moments of truth” (Carlzon 1987), which are the moments during encounters that determine if a business will succeed or fail in the customer’s eyes. Doyle (1995) explains that customers determine their levels of satisfaction by comparing what they expected to receive with what they actually received, which is then compared with what they could have obtained from a competitor. Thus, customers may complete a service encounter with either a positive or negative level of customer satisfaction.

According to Bateson (1995), the accumulation of customer satisfaction (positive or negative) from each service encounter with a particular service business over time results in a perception by the customer of service quality, which is an overall assessment of the quality of the interactive service performance. Service quality is attained by reducing the difference between the expectations and perceptions of customers’ actual service experiences (Berry et al. 1994; Caruana, Money and Berthon 2000; Clow et al. 1998; Hightower et al. 2002; Parasuraman 1995; Parasuraman, Zeithaml and Berry 1985, 1988; Verma and Thompson 1999; Zeithaml et al. 1993). Customer satisfaction differs from service quality in that the former is a short-term measure based on the customer’s evaluation of the outcome of a single encounter, whereas service quality is an attitude pertaining to the customer’s global evaluation formed from a series of service encounters (Bigné et al. 2000; Brady and Robertson 2001; Hoffman and Bateson 2002; Maxham 2001; Parasuraman et al. 1985; Sureshchandar, Rajendran and

Anantharaman). This means that both customer satisfaction and service quality are determined by the customer, not management (Keegan, Moriarity and Duncan 1995). In addition, as Brady and Robertson (2001:35) explain, both these concepts are the 'cornerstones to effective services management'.

Due to the characteristics of services, customers look for signs of service quality to reduce prepurchase uncertainty and enable customer satisfaction. These include, as discussed in previous sections, the condition of employee uniforms, the state of the service business and equipment, word-of-mouth communication from other customers, marketing communication materials, and the price of the services. Promotional material from the organisation can also raise or lower customer expectations, thereby influencing service quality. Throughout the service delivery as previously discussed, customers also judge employees on technical and functional quality (Grönroos 1983).

To establish if customers believe they are using a quality service that provides them with the required level of satisfaction, service businesses can conduct market research, for example, via surveys and focus groups with customers, using mystery shoppers to assess the quality of the service encounter, or rely on the input from frontline employees who have interacted with customers. According to Doyle (1995), conducting market research for this reason should be undertaken systematically on a regular basis to gain an understanding of how customers rate the service business over a period of time. Instruments and measures of service quality have been developed and tested by many researchers, but notably by the trio of Zeithaml, Parasuraman and Berry (such as Berry et al. 1994; Parasuraman 1995; Parasuraman et al. 1985, 1988; Zeithaml et al. 1993). These researchers developed the SERVQUAL questionnaire that measures customer perceptions of service quality on five dimensions - the tangible elements of the service

business, reliability, responsiveness, assurance, and empathy. Reliability is considered the core of service quality, and simply means 'getting it right the first time' (Berry et al. 1994: 44). This avoids customer dissatisfaction and the costs of correcting the service delivery error (Cornish 1990). Besides assisting customers during their purchase, service quality is recognised as a key success for service businesses (Dahringer 1991) where the key objective is building customer loyalty (Berry 1995).

5.3.9.2 Relationship marketing

Relationship marketing is a relatively new application of marketing. It was not until the early 1990s that relationship marketing was acclaimed as being a paradigm shift from the traditional transactional marketing approach where the focus was on creating the single transaction (Doyle 1995; Webster 1992). Berry (1983: 25) appears to be one of the first services marketing researchers to refer to relationship marketing, defining it as 'attracting, maintaining and enhancing customer relationships'. Relationship marketing emphasises the development and maintenance of a long-term profitable relationship where both the service business and the customer see each other as interactive partners (Gummesson 1994). According to Berry (1995), the greater interest in relationship marketing occurred due to three major influencers: the maturing of research on services marketing, a recognition of its potential benefits to the service business and customer, and the advances in technology that assist in delivering and customising the relationship as well as reducing costs.

Berry (1995) also argues that various relationship marketing strategies with customers are possible. He suggests there being three levels of relationships. At the first level, pricing incentives are used to retain the relationship, whereas at the second level social bonds create a personalised and customised service. At the third level of relationship

marketing, rather than using financial and social bonds, the focus is on designing a service delivery system that binds the customer structurally to the service business, for example, by using customised software. However, using a relationship marketing strategy may not be suitable for all customers, for example, some customers may only be interested in undertaking a single transaction or the relationship may require too much time and effort meaning it is not profitable.

Each encounter with a customer represents an opportunity for the service business to build trust, reduce perceived risk, and establish customer loyalty (Bitner 1995; Bove and Johnson 2001; Evans and Laskin 1994; Priluck 2003; Solomon et al. 1985). Building successful relationships can also improve customer retention rates, which further reduces costs (as discussed in Section 5.3.9.2). With findings that report 68 per cent of customers change organisations because they feel they were treated indifferently, that one happy customer tells five others, and one unhappy customer tells another ten; the reasons for developing a relationship with customers become more apparent (Hall and Haslam 1992; Maxham 2001). The service provider's relationship with the customer is recognised by Kostecki (1994b: 211) as being 'of strategic importance for business performance' and further explains that the strategies of service businesses will increasingly be built on the customer relationship.

5.3.9.3 Customer retention and service recovery

The strategy of customer retention is based on the premise that existing customers are more profitable than new customers, and thus, attempts should be made to reduce any potential loss of this investment (Bateson 1995; Bove and Johnson 2001; Joshi and Arnold 1998; Sheth and Sisodia 2002; Swanson and Kelley 2001; Webster and Sundaram 1998). A study by Reichheld and Sasser (1990), for example, demonstrated

that profits increase significantly when the rate of customer retention increases. More specifically, they found increasing customer retention by five per cent could improve profits by 25 to 85 per cent. Higher profitability is possible because the costs of maintaining current customers are typically lower than acquiring new customers. The reason for this is that transactions become more efficient because current customers become familiar with the service delivery process (Reichheld and Sasser 1990). Current customers also tend to generate valuable referrals for the service business as the relationship continues and their lifetime value is higher due to the higher number of purchases made (Evans and Laskin 1994). According to DeSouza (1992), the starting point for customer retention is to begin measuring the rate of customer retention to enable it to be managed.

In practice, due mainly to the characteristic of heterogeneity, service businesses will inevitably make some mistakes or provide less than acceptable customer service. Recovering from these service failures, as part of a customer retention strategy, is recommended by Bateson (1995) as an important strategy for service businesses. Interestingly, customers of service businesses may choose not to defect due to the same characteristic of heterogeneity as well as intangibility. These characteristics may instil a sense of perceived risk due to the difficulty in evaluating a new service business. In other words, for some services there may be high switching costs. As Berry (1995: 237) explains, heterogeneity may then encourage customer loyalty. Being able to establish a relationship with a service business that has developed an understanding of the customers' needs, as in Berry's (1995) second level of relationship marketing, also assists in increasing retention rates.

Fixing an error in service delivery with minimum delay and fuss, can however, turn a dissatisfied customer into a satisfied, even loyal customer, therefore the steps to service recovery should be exploited to the full (Berry and Parasuraman 1991; Bowen and Lawler 1992; Brown 1997; Caruana 1995; Hart, Heskett and Sasser 1990; Maxham 2001; Priluck 2003; Sparks and McColl-Kennedy 2001; Swanson and Kelley 2001; Webster and Sundaram 1998). As Hart et al. (1990) observe, a recovery from poor service delivery can convert even angry, frustrated customers into loyal customers. Customers that have a social bond to the service business also tend to be tolerant of service failure, treating the dissatisfactory service as an exception (Berry 1995). However, the opportunity for service recovery is sometimes missed because employees are not empowered, or have insufficient training, to address the error in a timely and appropriate manner (Riddle 1990). Berry (1995) also recommends that efforts be made to retain valuable employees because they are more likely to have developed relationships with customers as well as having a more complete knowledge of the business. He adds that employee retention has a positive impact on customer retention.

Service guarantees, as discussed in the section on pricing strategies, are another means of offsetting the difficulties of service recovery. Besides the benefits of reducing perceived risk and uncertainty, dissatisfied customers may invoke the guarantee and receive the applicable compensation (Firnsthahl 1989; Groth 1995b; Guseman 1981). Although this may represent a potential cost to service businesses another benefit is that service guarantees may increase customer loyalty. Berry (1995: 243) suggests that service guarantees can 'symbolize a company's commitment to fair play with customers and facilitate competitive differentiation'.

5.3.9.4 Complaint management

A challenge facing service businesses is that 96 per cent of unhappy customers do not complain to the company, but prefer to discuss their complaint with about ten other potential customers (Hall and Haslam 1992). A service business that receives customer complaints can be considered fortunate because they have an opportunity to address the problem, solve it, and retain the customer. Essentially a customer who bothers to complain is indicating to the service business that he/she wishes to remain a customer and is willing to give it a second chance (Collis 1999; Lovelock et al. 2001). Therefore, not only should service businesses make it easy to complain (Firnsthahl 1989), they should encourage complaints by providing toll free telephone numbers and customer feedback surveys with reply paid envelopes (Berry et al. 1994; Collis 1999). This includes empowering employees to address the complaints.

Gilly, Stevenson and Yale (1991) and Lovelock et al. (2001) explain that a challenge with managing complaints is that employees (and subsequently their supervisors) may be reluctant to report customer complaints because they see it as threatening or undermining their ability. Instead of viewing complaints as a threat, Lovelock et al. (2001) recommends encouraging employees to view complaints as feedback and an opportunity to retain a potentially lost customer. The argument is that if the service business is alerted to dissatisfaction, steps can be put in place to resolve the issues that potentially may cause customers to leave. In other words, a complaint management system and policies are useful means of enhancing service recovery. According to Zeithaml (1981), customers of service business may complain less frequently about service failures because they attribute some dissatisfaction to error on their part during the service encounter. Further, as Lovelock et al. (2001) explain, customers may be less likely to complain because of the perception they are in a position of less power or

because of social norms, as in, for example complaining about the level of service from a medical practitioner.

5.4 SUMMARY

In this chapter, a number of marketing strategies widely recommended in the literature as being relevant to creating successful service businesses were reviewed. It was explained that a service business requires a market orientation to keep focused on its customers and competitors. The vital role of market research was also discussed to ensure accurate and timely details on customers, competitors, and the environment are gained to assist in directing marketing efforts. The expanded marketing mix was introduced as being a useful checklist for service marketers that consisted of seven major strategic variables that together should form a cohesive and integrated approach to satisfying the target market. Further, this chapter offers a number of marketing activities and strategies a service business could consider implementing to achieve growth and retention of customers, which was reinforced by the discussion on CRM.

A service ethos is increasingly becoming accepted as a means of enhancing current competitiveness. It is suggested that this shift to “servitization” (Vandermerwe and Rada 1989) will become pervasive as the future corporate survival of all forms of enterprises will depend on the adoption of a service ethos (Adams and Colebourne 1989; Beckett-Camarata et al. 1998; Carlzon 1987; Gummesson 1994, 2002; Jarratt and Fayed 2001; Kostecki 1994a; Quinn, Doorley and Pacquette 1990; Schneider 1994; Vandermerwe 1993; Varey 1995). The role of marketing in service businesses will become more important as competition continues to increase in many service industries

(Alimova 2000; Beckett-Camarata et al. 1998; Doyle 1995; Subramanian and Gopalakrishna 2001).

Whereas this chapter discussed the marketing of service businesses in general, the following chapter focuses discussion of services marketing on seaports. The extant literature on seaport marketing is therefore reviewed with comparisons made to the major issues found in the current chapter.

CHAPTER SIX

SEAPORT MARKETING

6.1 INTRODUCTION

Marketing within seaports is a relatively new functional strategy. In a formal sense, marketing has only been apparent within some seaports since the 1980s (Somers and de Wilde 1997). Prior to this there appears to be limited evidence that marketing was being used formally or strategically. More recently there has been a growing number of calls for marketing to play a greater role in managing seaports (for example, Bernama 2001; Lobo and Jain 2001). However, as reflected in SRQ1, the question remains as to whether seaports are actually formulating and implementing marketing activities and strategies. The extant literature is therefore reviewed, although in contrast to Chapter Four that discussed the level of academic interest in seaport marketing, this chapter examines specific marketing activities and strategies undertaken by seaports which are then compared these with recommendations from the services marketing literature reported in Chapter Five.

6.2 SEAPORT MARKETING ACTIVITIES AND STRATEGIES

The objectives of a seaport's marketing efforts should detail the type of activities focused on by the seaport. Therefore prior to examining the marketing activities and strategies discussed by the seaport marketing literature it is useful to overview the marketing objectives of seaports, which are in turn, based on the business philosophy and strategic direction of the organisation. Throughout the literature however, there are only a few examples of seaport marketing objectives. Stuchtey (1978) provides an early example of broad seaport marketing objectives that include increasing growth rates, attracting contestable cargo, and seaport diversification by providing value adding services. Although these imply that marketing activities will be necessary to achieve the objectives, they are perhaps better placed as general seaport management objectives.

Objectives articulated by Misztal (1999: 51) are more directly marketing focused and are as follows:

1. Designing particular seaport services within the port marketplace by adjusting them to the requirements and preferences of buyers, in other words the port users;
2. Attempting to impact upon the seaport services market, i.e. by shaping the consumption (purchasing) of services through selecting an appropriate means of influencing buyers; and
3. Carrying out an 'outlet' policy, i.e. managing the seaport services sales process within the market.

These objectives imply that the marketing activities focus on satisfying the needs and wants of customers, segmenting and targeting marketing efforts, and understanding the customer. Similar objectives are also raised by the UNCTAD Secretariat (1992). Other marketing objectives suggest the seaport should 'create a service and pricing structure within in [sic] marginal area superior to those of competing ports' (Stuchtey 1991a: 237). Although Somers and de Wilde (1997) provide a list of five objectives of seaport marketing these essentially relate to the stages involved in a strategic marketing process. As discussed in the following section, there are a number of examples in the literature where the strategic marketing process is being described when discussing strategic marketing issues, and where strategic marketing is being confused with the broader strategic management.

6.2.1 Strategic seaport marketing

Of the few seaport publications that explicitly discuss marketing strategy (Mester 1991; Misztal 1999; Somers and de Wilde 1997), there is a tendency to focus more on the strategic marketing process, or a strategic management approach. For example, marketing strategy has been discussed with the focus being on the external environment via SWOT analyses; or on matrixes such as the General Electric strategic business planning grid or the BCG matrix; or on the planning, implementation and control

process rather than on the marketing aspects (see Branch 1998; Frankel 1987, Mester 1991, Murphy 1991; Pieczek 2000; Somers and de Wilde 1997; UNCTAD Secretariat 1992;). In other words, although the term “strategic marketing” is being used, the reality is that in some cases, strategic management is being discussed, or there is an over-reliance on the environmental scanning stage, or the process of strategy in marketing is being explained. There tends to be little, if any focus on the customer or the service being offered. For example, a comparison of strategic marketing, as discussed in the above articles, with Ircha’s (2001) comprehensive discussion on strategic management and the strategic planning process in seaports (which is based on the wider literature on strategic management) indicates many similarities and few differences. While it is accepted that marketing, along with other functional areas are included in strategic management, they are separate processes involving different levels of consideration. It would appear that a number of publications involving seaport strategic marketing are yet to appreciate the differences.

As detailed in previous chapters, there are a number of potential benefits for seaports in adopting marketing. Due to heightened competition, becoming market-oriented and aggressive in both attracting and retaining customers may no longer be a choice for seaports. The level of research on the marketing of seaports differs substantially from that of research in marketing in other service industries. Many service industries have matured past defining marketing concepts and instead are testing models and conducting empirical research. Meanwhile research in seaport marketing is still divided on whether physical product marketing or services marketing concepts are applicable. This is surprising given the arguments presented in the services marketing literature during the 1980s (as highlighted in Chapter Five) that resulted in consensus on different marketing strategies being used for services than for the marketing of physical products.

Although the services marketing literature suggests a strategic framework other than the 4P marketing mix be used for services industries, few papers on seaport marketing refer to strategies such as the expanded marketing mix. This is unusual when one considers that the majority of research recognises that seaports operate in the service industry and offer services to seaport users. Yet, a number of articles (Figwer 1999; Frankel 1987; Mester 1991; Murphy 1991; Pollock 1988) apply the traditional marketing mix to seaports rather than the expanded marketing mix that is appropriate for service businesses. Other writers (Bernard 1995; Schulten 1991; Somers and de Wilde 1997; Stuchtey 1978, 1991a) choose only to refer to the specific elements of product, promotion and price as well as market research when discussing marketing tools used in strategic seaport marketing. In another example, the UNCTAD Secretariat (1992) suggests that the main activities of seaport marketing are promotion, research and information (the latter two activities are now generally regarded as being market research).

Branch's 1997 and 1998 texts are two of the few that discuss the elements of the expanded marketing mix for services marketing in relation to seaports. However, rather than referring to his discussions as the expanded marketing mix, he uses the term "international marketing mix". This misnomer is of concern considering Branch applies the HIPI characteristics to maritime transport and seaport operations, and in addition, explains that the traditional marketing mix applies to manufactured goods and commodities. Branch (1998) even contains a similar figure to that of Booms and Bitner (1981) listing the contents of each element of the generally accepted expanded marketing mix. In addition a major typographical error is made by Branch (1998) in his chapter that introduces the international marketing mix (that is, the expanded marketing mix) where the element price is not mentioned but the element of place is listed twice,

this is rectified in a subsequent chapter by listing the generally accepted seven elements. Misztal (1999) is another who reviews the characteristics of seaport services marketing (as in the HIPI characteristics discussed in Chapter Five). Besides not using seaport examples when referring to the characteristics, the remainder of his article entitled 'Marketing management in seaports' does not discuss any of the generally accepted principles of services marketing (as also occurs in Frankel 1987).

Both the HIPI characteristics and the expanded marketing mix are discussed by Pieczek (2000) when attempting to analyse the marketing strategies of two Polish seaports. Her empirical study uses 21 variables to describe the seven expanded marketing mix elements. A major finding is that all elements were supported at one seaport and two of the elements were not strongly supported (process and people) at the other seaport. Pieczek (2000: 241) suggests 'the [expanded] marketing mix can be regarded as the best measure for defining overall market strategy. It includes all the elements necessary to successfully market an organisation'. Of interest in a conference paper (Pieczek and Roe 2000) based on Pieczek's (2000) doctoral thesis is an error made in reporting that the elements of promotion (rather than process) and people requires more attention.

Theory development in seaport marketing is likely to be haphazard if a fundamental baseline can not be established. This baseline must come as a result of a debate on applicable strategic marketing frameworks for seaports. As there is already widespread agreement that seaports are part of the service sector and their product is largely service-based, it appears appropriate that the baseline should begin with the acceptance of services marketing principles and initially the expanded marketing mix for conceptual and empirical testing. The debate should also discuss the relevance and appropriateness of services marketing to seaports as a means of investigating whether

seaports require special treatment as is being undertaken in the current study by SRQ2 and PRQ1 in the Australian context. Without consensus and an understanding of services marketing principles, it will be difficult for seaport marketing as a discipline of study to make significant progress.

6.2.2 Seaport marketing activities

Rather than discussing seaport marketing strategies, much of the research instead tends to propose individual marketing tools or lists of marketing activities (for example, Bernard 1995; Figwer 1999; Somers and de Wilde 1997). In general, the marketing tools and marketing activities discussed in the literature refer to the same thing. What is missing is the discussion of these activities at a strategic and integrated level. There are relatively few papers that attempt to integrate even a few marketing activities. One report on seaport management (UNCTAD Secretariat 1993a) for example, suggests that in addition to pricing and supplying value-added services, three groups of marketing activities are necessary to achieve results:

1. Gathering and processing statistical, commercial, financial, and customs data;
2. Market research, particularly in relation to market segmentation; and
3. Using promotional activities such as interviews, publications, publicity, visits, seminars and conferences as a means to develop trade.

It is apparent that of the literature that examines marketing activities, the four elements of the traditional marketing mix are the most common although the element of distribution (or 'place') is rarely discussed in-depth. The relevance of the place element is apparent due to the references made to seaports becoming logistical service centres (as discussed in Chapter Two) or in managing other transport-related issues at and through the seaport. These discussions however, tend to be the domain of the

operations departments of seaports rather than a marketing decision. It is unable to be determined whether this is due to the emerging and evolving state of marketing or because operations is a more appropriate department to be managing logistics issues. Market research however, is a marketing activity that is dealt with in some depth by the literature and is discussed in the next section followed by each of the four elements of the traditional marketing mix - product, distribution (place), price, and promotion. Expanded marketing mix elements and other marketing mix activities, notably CRM, are not included as there is little if any discussion of these in the available literature.

6.2.2.1 Market research

Figwer (1999) and Stuchtey (1991b) argue that as seaports become more market-oriented, there is a growing need for market research because they seek greater knowledge about customers' needs, competitors and the environment. Stuchtey (1991d: 60) suggests that collecting market research data enables seaports to:

...define the market position and share of the seaport, define seaport strategies, define marketing objectives, control and influence the efficiency of the marketing department, control and influence the marketing mix, forecast future developments for port planning.

Figwer (1999: 22) adds that gathering market research about customers, competitors, and the changing external environment is now 'a necessity rather than a luxury'. Similarly, Mester (1991) indicates that market research is indispensable for seaports. A number of market research data collection methods are suggested (for example, by Somers and de Wilde 1997; UNCTAD Secretariat 1992, 1993), including the use of secondary data from industry publications and supranational organisations, government departments, trade missions and regional conferences, informal interaction with seaport users, and formal surveying activities. The result of market research activities should be the development of a marketing information system for the seaport, which is then used to formulate appropriate marketing strategies.

Whereas the majority of papers discussing market research tend to focus on either one or a few aspects of market research, Branch's (1998) discussion is process-oriented. That is, Branch (1998) works through the market research process replicating the steps and detail normally discussed in general marketing or marketing research textbooks such as primary and secondary data collection methods, which is also briefly discussed by Branch (1997). Somers and de Wilde (1997) offer a similar approach except that it is more seaport specific than Branch (1998). Somers and de Wilde (1997) begin by recommending the researching of international trade figures in terms of commodity flows between countries and seaports followed by competing seaports' characteristics which all form part of a SWOT analysis. Figwer (1999), Pieczek (2000), and Pollock (1988) are others who recommend the use of a SWOT analysis as the starting point for conducting market research and emphasise the necessity of gathering information on competitors to ascertain the threats from competition in relation to pricing, customer base, and developments.

Some discuss market research by posing a list of questions or issues for seaports to consider (such as Branch 1997; Murphy 1991; Peters and Cheslin 1998; Stuchtey 1978). However, these questions tend to revolve around what competitors are offering in terms of tariffs, facilities, quality of service offered, structure of the world fleet (in particular ship size), cargo flows, and changes in the economic and political/legal environments, including government policies. Misztal (1999) takes a much broader approach by briefly outlining that changes in the political/legal, technological, and competitive environments be researched and constantly monitored in addition to customer and organisational changes.

Although Branch (1998) discusses a market research process for seaports, his discussion on the international marketing environment only considers the macroenvironment from the perspective of shipping companies; seaports are not considered at all. Articles such as Somers and de Wilde (1997) and the UNCTAD Secretariat (1993a) identify issues for seaports to research that are deemed necessary for the efficient management of the seaport. These include examining commodity and traffic flows, data on trade and economic performance of hinterlands and the movement of major trading partners. Others (for example, Misztal 1999; UNCTAD Secretariat 1992) discuss the collection of data on customers and competitors, analysing existing traffic flows of commodities, SWOT analyses, the sensitivity of customers and competitors to changes in seaport charges, and being forward thinking in terms of potential risks and threats.

Although the use of targeted marketing for seaports was raised over two decades ago by Stuchtey (1978), segmenting the market and targeting individual customers is only recently becoming recognised as a profitable outcome of market research in the seaport marketing literature (Ashar 2001; Figwer 1999; Pieczek 2000; Somers and de Wilde 1997). Muller's (1991) comprehensive coverage of the segmentation process for seaports, besides mirroring the market research process found in many marketing textbooks, also explains the value of segmentation for seaports in finding their niche in the market and attracting appropriate customer segments. As seaports rely more on market research to understand customers, more value should be placed on segmenting the customer base and targeting marketing efforts to each segment. Frankel (1987) strongly advocates the benefits of segmenting customers and explains that it should be a prime task of the seaport marketing manager to develop marketing strategies to attract and retain each segment. As stated by the UNCTAD Secretariat (1992: 38) 'a port

should not try to be everything for everyone, but should identify its areas of strength and weakness and satisfy the selected target users' needs'.

As seaports have many customers, segmentation is no easy task. The two major customer groups of seaports are the shippers (represented by forwarding companies who bring cargo) and shipowners that are represented by ships' agents who encourage shipping lines to use the same seaport (Bernard 1995; Somers and de Wilde 1997; Stuchtey 1991b). However, there are many direct and indirect customers involved in doing business with seaports, including customs, pilots, towage operators, leasees of seaport property, charter boat owners, and recreational boat owners to name a few.

Articles discussing the practice and benefits of segmentation, targeting and positioning in other maritime industries, such as cruise lines (Conover 1996; Marti 1991), appear to be more widespread and considered than in seaports. In another example, Hewitt (1998) investigated segmentation in the ferry market and identified potential target markets. It is not clear from the available literature however, whether seaports are actually segmenting the market. Without empirical research on seaports it is difficult to ascertain whether they are segmenting their customer base to enhance their marketing effectiveness.

6.2.2.2 The seaport product

The literature tends to discuss the seaport product as lists of services offered by the seaport. In general, they are: seaport passage, infrastructure, ship-related services, cargo handling, hinterland connections, and services related to international commerce. Some of the lists are extensive (see Bernard 1995; Port of Rotterdam 2001; Schulten 1991; Somers and de Wilde 1997). The UNCTAD Secretariat (1995) is one that

attempts to categorise the seaport product into services to the ship (safe navigation and services at the berth), services to the cargo (cargo processing, storage and information processing) and other services to users (leasing land and other resources, and security). However, the purpose of the categorisation appears to be convenience in reporting rather than as a strategic approach to managing the seaport product.

The literature on seaport marketing does not yet appear to have conceptualised the seaport services into a useful framework to enable a strategic view of the product offered. Although Branch (1997) attempts to apply the total product concept (similar to that discussed by Kotler et al. 2001), this is more suitable for physical products and not a theoretical framework for managing the service product. Seaports may benefit strategically by using models such as those by Grönroos (1990) or Lovelock et al. (2001) as discussed in Chapter Five, as they are more encompassing and may assist the seaport to differentiate themselves from competitors based on their product offering.

The Grönroos (1990) conceptualisation, for example, could be used as a means to categorise the seaport product into facilitating and supporting goods and services. The benefit of this approach is that seaports may then have a clearer understanding of the elements of their product that provide them with a competitive advantage (supporting goods and services) over other seaports. Supporting goods and services are those aspects of the seaport product that provide a means of differentiation, including the use of the latest technology, offering value-added services and facilities such as packing and sorting cargo, support services for ships (refuse collection, ship chandling), ship repair, insurance, and bunkering. Schulten (1991) refers to the term qualitative efficiency, or the extra care taken in performing the service as another means of gaining a competitive edge. The Grönroos (1990) model also identifies there are goods and services that

businesses have little choice in offering (facilitating goods and services) because they enable usage of their core business. For seaports this could be applied to the provision of channel and navigation aids, and the use of shore cranes.

As discussed in Chapter Two, Ashar (2001) is one of the few that discusses a categorisation similar to Grönroos' (1990) service product. Ashar (2001) uses the terms "basic and auxiliary services" (as shown in Table 6.1 which is repeated from Chapter Two).

Table 6.1: Categorisation of seaport services

	Basic Services	Auxiliary Services
Ship Services	Providing channels and navigation aids Maintaining channels and navigation aids Dredging Pilotage Towage Line handling Use of docks and berths Emergency response/pollution control Safe haven	Provision of stores Water, electricity and communications Bunkering Garbage removal Security surveillance for the vessel at berth Vessel traffic control Marine surveying Ship repair and maintenance Inspection, immigration, customs Lashing/unlashing boxes on-board Passenger terminal operations
Cargo Services	Handling boxes between ship and yard Handling hatch covers Use of shore cranes Handling boxes between yard and gate Intermediate storage of boxes ("free time") Pre-stacking and shifting boxes in the yard Inspection of boxes and equipment	Special handling - direct to truck, slings Handling empties between yard and gate Cargo processing and repackaging Arranging or providing intermodal transport Storage of boxes (beyond "free time") Storage of bulk and breakbulk cargo Storage of hazmat and reefer boxes Control of dangerous goods Security and surveillance for cargo Weighing trucks and boxes
Admin. Services	Preparing dock receipts, location cards Preparing load lists, equipment inventory Monitoring maritime safety regulations	Preparing stowage plan and stability Preparing crane sequence Leasing - land, office space, warehouses Managing and developing seaport property Community use areas and tourism Coordinating marketing and promotions

Source: Adapted from Ashar (2001: 59)

Basic services (or facilitating goods and services) are reported by Ashar (2001: 58) as being the 'essential activities necessary for a complete ship-to-shore (buoy to gate) transfer common to all ports' while auxiliary services (or supporting goods and

services) are ‘specialised activities that widely differ among ports’. Similar to Grönroos (1990), Ashar (2001) also recognises that it is the auxiliary services that provide the means of differentiating a seaport from that of competitors.

Beth (in Bernama 2001) suggests seaports must do more than the traditional handling, stevedoring and warehousing to become competitive. Instead, this also involves offering services such as software logistics, warehousing logistics, distribution logistics, and extending hinterland connections. An extension of this is Schulten’s (1991) recommendation that seaports should offer a total service package that is firmly integrated with the transport chain; others refer to this concept as a ‘one stop shopping approach’ (Port of Rotterdam 2001: 4). Baird (1997) implies this concept when discussing that cruise lines will look at the total package of services offered by seaports when deciding which seaports to include on itineraries. By adopting a one stop shopping approach, seaports may become more transport industry focused rather than just seaport industry focused. Product differentiation then is a means of increasing revenue (as opposed to competing on price). As many seaports in a competitive region are perceived as offering a similar standard of service and product range, they see little choice but to compete on price. While it is accepted that seaport users are to some extent price conscious, seaports could make more effort to differentiate their service and products from other seaports via attention to their supporting goods and services.

In summary, it appears the literature on the service product in seaports focuses on providing lists of services with no strategic approach to managing the product. There is little integration with other marketing activities, for example, Murphy (1991: 62) refers to there being a ‘tradition of focusing on the product offered yet ignoring marketing and

customer needs'. In addition, there does not appear to be an understanding of what constitutes the management and marketing of a service product.

6.2.2.3 Distribution

Somers and de Wilde (1997) capture the view of many writers when they state that all the assets of a seaport have little value if the hinterland links are insufficient because they are the means of connecting with consumer and industrial markets. Although a number of articles refer to the traditional marketing mix and very few refer to the expanded marketing mix, the distribution (place) element is rarely discussed in a marketing context. This appears unusual given that this element relates to logistics-type issues. It appears that where distribution is discussed in a marketing context it is included in discussions on the seaport product rather than being treated separately.

One researcher, Branch (1998) prefers to discuss logistics matters under the marketing mix element of process. In this context, he defines "distribution" as being the marketing environment of the seaport where the sale is conducted, however, it is difficult to determine what is meant by his definition. Frankel (1987: 604) is one of the few that explicitly explains that for seaports, distribution refers to the 'delivery system, alongside, sea island, topping off operations, lightering, transshipment' and the impact of technological changes on infrastructure. Mester (1991) discusses distribution in terms of the channels from which customers may purchase the seaport product, that is, via direct customers such as forwarding agents and ship agents, or an organisation within the seaport, or by active marketing by seaport operators. Murphy (1991) however, takes a generally accepted approach of distribution by commenting that it is about making the product available to the user.

From discussions throughout earlier chapters, logistics has an important role in the management of seaports, particularly when researchers comment on seaports becoming integrated logistics centres (as discussed in Chapter Two). Therefore, it is likely that seaport researchers may be discussing logistics/distribution issues within an operations context rather than from a marketing perspective. An interesting question then, is who in a seaport should be responsible for logistics-based strategies and decisions?

6.2.2.4 Pricing of seaport services

Pricing of seaport services appears to have attracted the most interest of all the marketing activities, possibly as a result of the cost conscious nature of the transport industry and the excess capacity of many seaports (Stuchtey 1991c). It should be noted however, that many of the papers on pricing take an economic perspective rather than a marketing point of view (see for example; Haralambides, Verbeke, Musso and Benacchio 2001; Perez-Labajos and Garcia 2000; Strandenes and Marlow 1999; UNCTAD Secretariat 1975). That is, the pricing strategy appears to be dealt with in isolation and is not necessarily based on market research, nor is it integrated with other strategic marketing decisions which should be linked with the seaport's broader strategic plan. For example, it could be assumed that clear linkages may exist between the range and type of services offered and the price charged as well as the use of promotional strategies to position the seaport on those prices. As Dowd and Fleming (1994: 29) explain, 'port pricing in North America often owes more to politics and to artistry than to repeatable scientific logic'. Yet, the importance of pricing can not be underestimated because it determines the revenues and profits of seaports. In addition, the pricing structure may be one reason customers are attracted to the seaport. As Stuchtey (1991c) explains, when seaports in a competitive region offer similar services (that is, they are not differentiating by offering supporting goods and services),

customers will tend to focus on pricing policies. This suggests an opportunity for pricing to be used as a promotional tool to gain additional trade (UNCTAD Secretariat 1993a).

Seaports use tariff rates published in maritime-related media as a means of advertising their official seaport charge. The terms “tariff rates” and “seaport charges” appear to be used interchangeably in the literature as a substitute for price (UNCTAD Secretariat 1995). The tariff rate represents the prices charged on vessels, on cargo, and for specific charges such as pilotage and towage. Further examples of seaport charges and guides to setting up seaport tariff structures can be found in Ashar (2001), Goss and Stevens (2001), and Wilking (1991).

An early report by UNCTAD (1975) was instrumental in proposing a tariff system that has since been applied in many seaports around the world. Tariffs represent the price per unit of cargo and are regarded as a benchmark price that incorporates ‘historical cost, imputed cost, return on investment, tempered by the sensitivity analysis, less any applicable usage revenue (e.g. dockage, wharfage, storage charges) divided by the throughput volume’ (Dowd and Fleming 1994: 32). In simpler terms, Arnold (1985) suggests that tariffs reflect the demand for the services provided by the seaport, the cost of providing those services, and the competition between seaports. In some cases, the tariff rate may be based simply on the tariff rates of competing seaports. Dowd and Fleming (1994) suggest that the published tariff rates are effective marketing tools because they are a point of negotiation for valuable customers. Thus, the published tariff is only an indication of the price ceiling rather than the minimum.

The need for flexible and customised pricing is recognised throughout the available literature, particularly for major customers and opinion-leaders (Productivity Commission 1998; Stuchtey 1991c; UNCTAD Secretariat 1992), hence the importance of understanding the customer and making use of separate marketing strategies for each customer segment. However, this can result in complaints from seaport users of price discrimination for various segments. Ashar (2001) explains that common price discrimination factors include cargo values, cargo volumes, the length of the contract period, and the origin/destination of the cargo to name a few. Price discrimination may also occur as a means to attract large shipping lines.

In making decisions about seaport charges, the seaport may need to take into account calculations such as: the seaport's estimated costs, competitors' prices, foreign exchange rate fluctuations, terms of payment, the levels of demand and supply for the seaport's services, terminal rents, time/volume payments, and the technical and operational characteristics of seaport users (Ashar 2001; Bernard 1995; Dowd and Fleming 1994). When Haralambides et al. (2001), report on the results of a major pan-European research project on behalf of the European Commission known as ATENCO (Analysis of the main Trans-European Network ports' Cost structures), they discuss the use of cost recovery as a mechanism for determining seaport pricing and achieving efficient pricing (as does the Productivity Commission 1998). Based on the ATENCO project, Haralambides et al. (2001) found in their own survey of 13 European port authorities that they each support the use of full cost recovery including the use of user pays principles. The authors note however, that most port authorities expected this would have little impact on pricing levels. A possible reason for this is that full cost recovery would not take into account pricing levels of the competition or pricing at

what the market will bear or even the use of pricing to encourage or discourage usage at particular times.

It is argued by Dowd and Fleming (1994) and the UNCTAD Secretariat (1995) that the marketing department in a seaport should manage, but not have the sole responsibility for establishing seaport charges. Instead, they suggest all departments, the CEO, and the board of directors should have input at policy and operational levels. For example, policy guidelines specifying specific rates of return and the types of customers and sectors to be targeted all impact on pricing strategies.

Pricing is one of the few activities that researchers have dealt with in a strategic manner (Dowd and Fleming 1994; UNCTAD Secretariat 1993a, 1995). By strategic pricing, the UNCTAD Secretariat (1995: 25) means 'a proactive attitude on the part of the port authority and the will to understand the clients' needs'. This is where pricing is targeted to specific customers to increase trade throughput and improve utilisation rates of the seaport facilities. Dowd and Fleming (1994: 30), who provide a comprehensive discussion of the seaport pricing process, report that pricing in seaports has 'undergone a series of significant market-driven changes that have altered the way that ports price their services/facilities'. There appears to be some consensus that whatever pricing strategy is adopted, it is essential that it supports the seaport's objectives, the planning and development strategies, and investment policies (Arnold 1985; Ashar 2001; Dowd and Fleming 1994; Strandenes and Marlow 1999; UNCTAD Secretariat 1995).

A common pricing strategy is competing on cost (Baird 1997; Goss and Stevens 2001; Strandenes and Marlow 1999; UNCTAD 1992, 1995). Although theory indicates that an appropriate price may be indicated at the break-even point where the marginal

revenue curve intersects the marginal cost curve, Bernard (1995) claims that in reality this is complicated and is the reason why pricing is almost impossible. Dowd and Fleming (1994) refer to this marginal cost approach as the economic pricing strategy, which they discuss as being one of three pricing strategies (for an indepth discussion of marginal cost pricing in seaports see Goss and Stevens 2001). The other two pricing strategies for seaports are the financial approach and the public enterprise approach. The financial approach, which seeks profit maximisation, is similar to the cost-plus strategy discussed widely in the services marketing literature (see Chapter Five). It requires the fixed and variable costs to be recovered plus an additional set rate of return. The public enterprise approach has the societal objective of maximising cargo throughput to enhance local, regional and even national development and economic activity. A seaport adopting this strategy would usually seek the payment of subsidies by the government or from seaport users to undertake this role. As explained by the UNCTAD Secretariat (1993a), seaports tend to adopt cost leadership strategies when competition increases as a means to maintain or increase market share.

With the assistance of market research, seaports may instead work on providing more value to seaport users by becoming more efficient or adding additional services to the total package. Seaport users are also interested in other issues besides price such as quality, efficiency and reliability of the service which impact on the time in the seaport, being punctual and receiving less damage when handling cargo (Pieczek 2000; Strandenes and Marlow 1999; UNCTAD Secretariat 1992). In the past, pricing was the major consideration of seaport users which was utilised by seaports as a means of attracting traffic. According to Dowd and Fleming (1994) and Somers and de Wilde (1997), carriers and shippers may make their decision on factors other than pricing, such as the quality of services offered, because seaport charges represent between five and

ten per cent of long distance total voyage costs (although the European Commission (1997) adds that this should be compared to 40 to 60 per cent for short sea trades). Schulten (1991: 18) however, argues that during the 1980s price was the primary factor, whereas in the 1990s the 'quality of the service has become significantly more important'.

Seaport management appears to be realising that a cost leadership strategy can be a no-win strategy because profits are continually eroded as other seaports can easily match the prices (Mester 1991). For example, seaports must be wary of customers who use seaport versus seaport strategies to secure the best prices. This is evident in a discussion by Morris (1988) who advises seaport users to use their knowledge of peaks and troughs in terms of seaport capacity and labour availability to their advantage to gain the most competitive rates. Dowd and Fleming (1994) advise seaports that enter into these negotiations to recall the rationale and calculations made in formulating their pricing decisions and strategies or risk gaining a heavily subsidised customer. An alternative is the use of marketing to differentiate services according to the needs of customers (UNCTAD Secretariat 1993a).

Increasing efficiencies within a seaport may be accomplished by encouraging increased productivity of facilities, reducing ship turnaround times, and increasing the flow of cargo through the seaport. This may be done by using time-based seaport charges on berth and area hire, thereby exerting pressure on seaport users via penalties and rebates (see Ghosh 2001; Tongzon 1993). Baird (1997: 33) reports on seaports using pricing strategies to attract cruise lines because price is a 'key component' of a cruise line's decision to visit a seaport. Pricing strategies for cruise lines include providing discounts

on particular seaport fees such as berthing charges, pilotage, towage, passenger fees, and offering rebates for subsequent calls to the seaport.

Dubai Ports Authority represents an example of using the pricing strategy of providing more value by becoming more efficient and adding additional services. Although the Dubai Port Authority recognises it has expensive services, they have efficient processes and customs and are able to provide customers with value (Lloyd's List 1997). The Dubai Port Authority accepts that their seaport users are price conscious but are willing to balance price with high productivity levels and the overall quality of service. Mester (1991) has a similar view and suggests that the perceived value of the services received are important to customers rather than the absolute price. The PSA Corporation is another seaport that also argues that providing value to customers is a more significant factor because 'lower prices alone may not suffice if [shipping] lines are not assured of good and reliable services' (Fang 2002: 14). This is the type of pricing strategy argued by Berry and Yadav (1995) as discussed in Chapter Five. They suggest organisations first need to gain an understanding of their customers to determine what services they value and then customers may be willing to pay higher prices.

Somers and de Wilde (1997) are others who suggest an objective of seaports should be to maximise added value. They too argue that value-adding by a seaport can include providing extra activities or having more efficient operations. Mester (1991) refers to this as being a quality strategy (the UNCTAD Secretariat (1995) uses the phrase "service differentiation strategy") where the focus is on the quality of the product and not the price. The result of this strategy is usually higher prices due to the added value to the seaport user. Mester (1991) also recommends the opposing price strategy (or cost leadership strategy as used by the UNCTAD Secretariat 1995) that entails making

efforts to lower costs to the seaport thus competing on price. Either of these strategies is recommended by Mester (1991) with the proviso that seaports do not attempt to compete on both quality and price due to the difficulty of achieving sustainable success.

Another approach to pricing by seaports is the calculation of the total of all the costs associated with a ship calling at a particular seaport (Suykens and van de Voorde 1998). This bundling of services (as discussed in Chapter Five) into a “package price” includes transportation and seaport charges and may be considered advantageous if the charge for each individual item is not identified because it makes competitive pricing on each individual seaport charge difficult to calculate (Stuchtey 1991a). The pricing usually concerns three main cost centres - cargo handling, the ship’s time at berth, and seaport dues and charges. Stuchtey (1978) also suggests including hinterland freight costs that would contribute to the total cost of a seaport call as well as being in line with current thinking on seaports taking a leading role in the management of the transport chain (Bernama 2001). A number of services are provided when cargo passes through a seaport each with their own price. Using the total cost of seaport call method may be of use to prevent further competition on each aspect of the overall transportation charges, although seaport users will also take into account the quality of the service offered. Even if seaport users are certain they are comparing similar bundles of services and prices, the quality of the service may not be as easily comparable. Stuchtey (1991a) raises a negative aspect of this form of pricing where seaport users are not differentiating between each party involved in delivering the total seaport service, and an unsatisfactory performance by one of the parties can create a negative image for the seaport in general.

Strandenæs and Marlow (1999) provide a similar list of pricing strategies in the literature that include cost-based pricing, cost recovery pricing, congestion pricing, strategic seaport pricing and commercial seaport pricing (as used by privatised seaports). Besides discussing the cost-based strategy, a report by the UNCTAD Secretariat (1995) also raises the benefits of using performance-based (similar to the financial approach above) or value-based pricing strategies under the heading of the CPV (cost, performance, value) approach. Although there appears to be some consensus on the range of pricing strategies for seaports, little agreement is found on whether a particular strategy may be suitable for most seaports.

Seaports appear to adopt a contingency approach to the formulation of pricing. Essentially this is what a number of researchers (such as Ashar 2001; Dowd and Fleming 1994; Haralambides et al. 2001; Strandenæs and Marlow 1999) report when stating there is no single pricing strategy that can be applied to all seaports due to their diverse characteristics and operations. For example, Ashar (2001) explains that seaports may have several hundred services and charges within the seaport system thus making a uniform approach to pricing difficult. This has not prevented some from attempting to develop a common pricing system for seaports (European Commission 1997). In reviewing these attempts, Haralambides et al. (2001: 382) concludes 'a best practice pricing formula does not exist' although similar to pricing in many other service industries, seaport pricing remains a complex topic in attempting to satisfy many stakeholders. As Mester (1991: 40) reports, disputes are inevitable when determining prices because 'in the customer' [sic] opinion they are always too high'.

6.2.2.5 Seaport promotion activities

As highlighted earlier, promotion is often cited as being the most common seaport marketing activity; even though it appears price setting has received more attention in the literature. The view of many writers is that if seaports are promoting then this means they are marketing. Marketing a seaport, however, involves much more than just promotion. Promoting a seaport is suggested as being a means of communicating with current and potential customers, with its purpose being to raise awareness of what the seaport offers and to influence customer attitudes and behaviour towards the seaport (Bernard 1995; Somers and de Wilde 1997). Some of the other benefits of promoting a seaport includes developing and maintaining the loyalty of the seaport user, being a useful means of positioning the seaport, and enhancing the seaport's image (Frankel 1987; Stuchtey 1991c). The development of a positive brand image relating 'reliability, service quality, sailing frequency, competitive rates, information technology and professional management' is becoming a major factor for seaports to attract additional trade (Branch 1998: 28).

Some seaports are attempting to position themselves by means of a seaport slogan. The Port of Ghent in western Europe, for instance, is marketed as "the friendly seaport" in attempting to act as a reminder that it does not forget the human aspects. As Schulten (1991: 32) explains, it is necessary for seaports to make 'quality visible, clearly presenting the service furnished, making efficiency apparent'. This is done via promotion and is necessary to offset the intangibility of the service provider and the perceived risk for customers. An innovative promotional approach reported by Davis (1990) is of the Port of Montreal that uses a 20-metre long scale model of the Port as a means of influencing customer decisions as well as accomplishing Schulten's (1991) above objective. Whatever promotion activities used, seaports must ensure they gain

results by targeting decision-makers and other interested parties to make efficient use of expenditure.

It appears the influence of general marketing textbooks can be found in the seaport marketing literature in that promotion in seaports has been categorised into advertising, publicity, public relations, personal selling, and sales promotion (for example see Branch 1997, 1998; Murphy 1991). Others refer to only public relations or advertising when discussing promotion (Coltof 1999; Frankel 1987). Sales promotion tends to be mentioned by only a few writers (Branch 1998; Murphy 1991) and includes promotional give-aways, workshops and seminars, seaport information including maps and handbooks, merchandising brochures, seaport tours and trade exhibitions. It could be argued that many of these are in fact advertising or public relations activities rather than sales promotion activities.

Bernard's (1995) comprehensive coverage of seaport promotion on behalf of UNCTAD provides detailed information on a range of promotional activities of seaports (the same material is also shown in Somers and de Wilde (1997) without citation). These include advertising, direct mailing, international shipping exhibitions, organising seaport days, personal selling and direct business trips, the use of overseas sales representatives, domestic networking, domestic fairs, school visits, organising conferences, being a speaker at conferences, conducting international press days, establishing a seaport education centre and a harbour club for business people working in the seaport. Many of the comments made by Bernard reflect the content of generic writings on the promotions mix but use seaport examples and contain little that reflect that a service is being promoted and not a physical product. Bernard however, makes the point that advertising a seaport is different from advertising a physical product because the

geographical position, nautical access and quality of the seaport service must be advertised. Unfortunately, no explanation is given as to why seaports should consider these issues more than others. The main strength of Bernard's (1995) monograph is that it provides guidelines for seaports when deciding how to promote themselves by discussing the advantages and processes; it is essentially a "how to guide" for practitioners.

Branch (1997, 1998) is another who offers a detailed explanation of promotion and in addition also explains how seaports can develop a media plan. Interestingly, Branch's (1997) media plan for a seaport is, with the exception of a few words, the same diagram shown in Branch (1998) that shows a media plan for a liner shipping company. Whereas some similarity could be expected, differences may also exist because they have different objectives (for example, the objective of trade facilitation for seaports is not mentioned) and different target markets. In relation to the use of advertising media, it may also be expected some differences exist because it is more important for seaports to communicate with the community, thus advertising via seaport open days and community newsletters are useful.

A convenient means of categorising promotional activities into information-related actions and service-related actions is suggested by the UNCTAD Secretariat (1992). Information-related actions involve distributing and collecting information such as the use of marketing calls, seaport publications, publicity, inviting users and the general public to visit (via open door days, films and videos), seminars, conferences, and receptions. Service-related actions refer to pricing and seaport charges. The UNCTAD Secretariat (1992) advises that pricing and charges must be easy to understand and be utilised as a means to provide customised service packages for seaport users. Similar

activities are reported by Davis (1990), Misztal (1999), Peters and Cheslin (1998), and the UNCTAD Secretariat (1993a), although without the dual categorisation. However, lists are insufficient if seaports are to adopt a strategic and integrative approach to marketing. Linkages between promotional efforts, other marketing activities, and the strategic plan of seaports are important to ensure an integrated and planned approach.

A greater focus on personal selling was expected in the literature due to the need for seaports to work closely with customers, but instead, advertising and public relations are suggested as being the most important elements of the promotions mix for seaports (Figwer 1999). Personal selling is of importance for seaports, as Davis (1990: xv) reports 'there is still no substitute for the good, old-fashioned business call where you shake hands, renew acquaintances, develop relationships and earn trust'. Similar sentiments are expressed by others (Mester 1991; Stuchtey 1991c) and by Peters (2001: 23) who suggests that because it is 'a people business', personal contact is a 'key aspect' of seaport terminal operators. Peters goes as far to claim because of this, personal contact is a 'central feature of the marketing effort' (p. 23). In estimating seaport marketing expenditure, Peters suggests that expenses relating to personal contact such as visits to customers take up the bulk of the budget while other expenditure is comparatively much smaller, including advertising in specialised media, attendance at industry conferences, and the production of brochures.

A cooperative approach to promotion has been undertaken by a number of north European seaports since 1991 to attract cruise ships (Baird 1997). Previously these seaports conducted individual marketing efforts to attract cruise ships but have since formed a marketing organisation called Cruise Europe to build awareness of regional attractions. Baird explains that the joint promotional package distributed to cruise lines

includes comprehensive information on individual seaport facilities, enough details for cruise lines to develop itineraries and a sailing schedule, a yearbook, newsletter, and access to a webpage. Being able to attract cruise ships presents indirect positive publicity for seaports in that the general public visit the seaport to see the cruise ships. While visiting, they may see other seaport activities that may not only stimulate their interest but also foster an appreciation of the economic contribution of the seaport to the region (Somers and de Wilde 1997). This may include gaining an understanding of how seaports are managing any impact on the environment and other issues of community concern such as land use strategies (Mulligan and Kitchen 2002). Although the general public in the surrounding community may not be customers of the seaport, they nevertheless are important stakeholders that can influence operations of the seaport by lobbying for seaport activities to be limited due to noise, light and dust pollution.

Another cooperative approach undertaken by seaports, initially for promotional value, is the formation of a seaport council. The integration of all stakeholders of the seaport, whether they be economic or social stakeholders is recognised as a beneficial means of promoting the seaport and wider regional area (Murphy 1991; UNCTAD Secretariat 1993). Others, such as the UNCTAD Secretariat (1992: 46), define membership narrowly and refer to major groups in the seaport area such as shipowners, shipping agents, insurers and freight forwarders as being part of 'an alliance of all major groups in the port area'. Some have referred to this as a port consultative council (Branch 1998), or seaport users' council (Carlson 1989), or trade promotion association (Peters and Cheslin 1998), or in looser terms as the seaport community (UNCTAD Secretariat 1992). Whatever the title, it is generally a formal association, which is essentially 'a vehicle for dialogue and change in the port environment' (Branch 1998: 181) whose membership includes businesses associated with the seaport although community

groups may also be included. The seaport council may discuss issues such as trade facilitation, security, tariffs, berth allocation, and marketing (Branch 1998).

An example of a seaport council exists at the Port of New Hampshire Port Authority, which has established a marketing committee consisting of the Port Authority's board members after the terminal operator failed to reach the cargo target (Editorial Staff 1999). The Port of Hamburg has adopted a more formal approach by establishing the Port of Hamburg Marketing Association. The Association includes all organisations of the seaport community which represents the Port of Hamburg in a united fashion to German and international customers. Its role is to act as a channel of communication but provides more than this by engaging in market research, customer care, public relations, publicity, lobbying, event management, developing market strategies, and producing brochures and magazines (Compass Hamburg Handbook 2001).

The promotion of seaports is also raised from an industry point of view by bodies such as the Association of Australian Ports and Marine Authorities (AAPMA) and the American Association of Port Authorities (AAPA). These bodies recognise that the seaport sector suffers from a lack of public awareness of the economic and social contribution of seaports and their role in international transport. Kurt Nagle, President of AAPA (in Young 2001: 26), states that a public awareness campaign is required to inform the public that seaports 'affect almost everything that people come into contact with on a daily basis'. However, the question posed by Stromberg (in Pdl - Port Development International 2002) is whether the public are interested in the contribution of seaports. The article suggests that 'it seems a worthwhile pursuit by the AAPA to at least try and change this thinking' (p. 7) but Nagle (in Young 2001) also points out that seaports are not as recognisable with the public as airports, and instead are associated

with harmful environmental effects such as oilspills. As Bernard (1995: 19) states, 'only when people are well informed are they aware of the value and importance of the seaport in their town or region'.

Seaports are recognising the use of the internet as another promotional opportunity. One of the first seaport websites was developed in 1997 by the Port of Hamburg (Compass Hamburg Handbook 2001). Although many seaports have their own websites, they tend to focus on the needs of seaport users, disregarding the potential for positive public relations and publicity. A number of larger seaports are beginning to provide online documents such as annual reports and other publications, whilst the more innovative are also using the website to provide the general public with educational materials about the seaport, and the maritime industry. The educational materials include details on the contribution of the industry as a whole to the economy, interactive games, screen savers, and even downloadable colouring-in books for young school children (for example, American Association of Port Authorities 2001; Fremantle Ports 2003; Port of Hamburg 2003).

6.3 SEAPORTS AND SERVICES MARKETING

In addition to Pieczek's (2000) doctoral thesis discussed earlier in this chapter, Branch's (1997, 1998) texts are two of the very few to discuss the expanded marketing mix, albeit briefly. The elements of participants, process and the physical evidence (listed as physical aspects) are discussed in approximately one page. Branch (1997, 1998) refers to the participants' element as "people" by simply mentioning the importance of training and motivating employees and having a marketing culture. No mention is made of how this should be done, nor does it include concepts such as empowerment,

internal marketing, or overcoming difficulties faced by frontline employees such as role stress as discussed extensively by the services marketing literature.

According to Branch (1998: 351), the extent of the element of process relates to logistics, or the 'supply and delivery chain from the exporter to the importer'. No mention is made of service quality or managing fluctuating demand and supply, all of which are widely recognised as major services marketing issues. The physical evidence element is reported as meaning the brand image and infrastructure of the seaport and the physical and tangible aspects of the seaports. Once again, services marketing concepts such as the servicescape and an understanding of the benefits of utilising tangible evidence to provide a suitable image of the seaport are not discussed. Somers and de Wilde (1997) however, imply the importance of a seaport servicescape when they discuss that seaport marketing is more than selling a good location. They suggest seaport marketing also involves the social climate and having well kept infrastructure and superstructure. In general, a full appreciation of the expanded mix does not appear to be understood by the seaport marketing literature, particularly when one considers that Branch (1997, 1998) and Pieczek (2000) contain possibly the most detail on this topic.

Relationship marketing and customer satisfaction issues also tend to have little coverage in the available seaport marketing literature. Somers and de Wilde (1997) are two of the few to raise the issue of relationship marketing for seaports. They recognise that a paradigm shift away from transactional marketing to relationship marketing is needed where the sale is not regarded as the final stage of marketing. Somers and de Wilde also recommend that the customer be treated as a partner of seaports, with the caveat that not all customers are suitable for the development of a long-term relationship.

Customer satisfaction concepts such as customer retention, service recovery, and complaint management do not appear to be discussed in relation to seaports. These concepts however, have attracted some attention in the fast ferry market (Hewitt 1998; Hewitt and Henderson 1998), and in shipping lines (Brooks 1995; Durvasula et al. 2000).

The issue of service quality, which is reported as being the 'single most researched area in services marketing' (Fisk et al. 1995: 14), tends only to be mentioned in passing as in the empirical study by Lobo and Jain (2001). Their study focusing on seaport user perceptions of service quality concluded that seaports should invest more in interacting with clients (which Lobo and Jain (2001) refer to as the human element) instead of concentrating only on infrastructure development and cost cutting. What Lobo and Jain (2001) are essentially suggesting is that seaports should listen to their customers. However, little in-depth detail on service quality is found in this conference paper.

6.4 SUMMARY

Of the strategies and activities reported in the seaport marketing literature, promotion, pricing and market research receive the greatest attention. The limited empirical research, either cross-sectional or longitudinal, is of concern as it is difficult to set notional benchmarks on marketing strategy and thus determine which marketing activities and strategies are being practised by seaports (as per SRQ1). Equally of concern is the lack of consensus in the available literature on which strategic marketing frameworks are relevant. Some publications have attempted to apply consumer marketing principles to a services industry, others have briefly raised the use of the expanded marketing mix, relationship marketing, customer satisfaction and other

services marketing principles, and thus a reason for investigating SRQ2. As the seaport industry is a high fixed cost industry with a long-term financial resource commitment to infrastructure all parties should be interested in building customer relationships and loyalty, thus providing long-term revenue to support the investment.

Without further empirical testing, it is unknown if services marketing principles are applicable to seaports. There is also the possibility that seaport marketing is a special case requiring different strategic marketing considerations from other service industries but once again, empirical testing is necessary. If seaport marketing is to advance, it would be prudent for empirical investigations to occur. With these concerns, the following chapter proposes a research methodology to investigate PRQ1 which is in an Australian context. The collected data may confirm whether the reported literature reflects practice or if it is lagging practice.

CHAPTER SEVEN

RESEARCH DESIGN AND METHODOLOGY

7.1 INTRODUCTION

As previous chapters suggest, theoretical and empirical studies on the marketing of seaports are few in number and in particular, within the Australian context it appears that a major empirical study on this topic is yet to be conducted. This chapter seeks to discuss the development and implementation of a research design appropriate for such a study within Australia. Further, as the research design directly assists in answering the research questions (Sudman and Bradburn 1982), this chapter examines how secondary and primary data was collected to address the PRQ1 and two subsidiary research questions (SRQ1 and SRQ2). Following a justification of the broad research design, which incorporates the use of a census of Australian seaports; data collection methods, pre-testing, administration of the census, and error control processes are discussed.

7.2 RESEARCH DESIGN

As discussed in Chapter One, the purpose of the current cross-sectional study is to explore the extent of marketing being conducted in seaports. This will be attempted by addressing PRQ1:

PRQ1 What marketing activities and strategies are appropriate for Australian seaports in the New Economy?

As explained in Chapter One, in order to answer PRQ1, two subsidiary questions are also investigated:

SRQ1 What marketing activities and strategies are currently being practised by Australian seaports?

SRQ2 Are current seaport marketing activities and strategies relevant for successfully marketing Australian seaports?

To investigate these three research questions, a research design incorporating both qualitative and quantitative techniques is proposed. Essentially the research design is the ‘master plan specifying the methods and procedures for collecting and analysing the needed information’ (Zikmund 2000: 59). Therefore, encompassed within the research design are the identification of the population, sources of data, the design technique, and the interview schedule, all within the time and financial constraints of obtaining the data for the research.

7.2.1 A census of Australian seaports

If possible, researchers prefer to investigate a population (that is, conduct a census) rather than a sample of the population because of its inherent generalisability thus avoiding the potential for error due to sampling decisions. However, the reality is that the majority of business research is based on sampling due to high costs, time and difficulty in determining who is part of the population. The following section defines the population of the current study and explains how the population was generated.

7.2.1.1 Generation of the population

As discussed in previous chapters, the focus of this research is on commercial Australian seaports rather than inland waterway ports, non-commercial seaports or privately operated seaports. In contrast to Europe and North America where inland waterway ports form an important link in the transportation chain, in Australia they are rare. The only reference found to an Australian inland waterway seaport was that of Echuca in Victoria (on the website of Port Focus (2002)) that now exists only as a tourist attraction.

Commercial seaports are also not to be confused with non-commercial seaports that are essentially recreational or fishing harbours or jetties such as the seaports of Carnarvon, Coffs Harbour, or Innisfail (Fairplay 2001). Often these are provided solely as a public service rather than on a commercial basis. As the focus of the current research relates to the marketing activities and strategies of Australian seaports, it is only those with a commercial focus that will be investigated. Whereas it is reasonable to expect that some commercial seaports provide recreational facilities and service the fishing fleets as secondary activities or to endear them to their local communities, it is their major activities that generate revenue. Another category of non-commercial seaports not included in the population is that of naval bases such as the Port of Exmouth and Port of Stirling.

The distinction between commercial seaports and privately operated seaports is not always clear. Many privately operated seaports such as Gove, Milner Bay, Ardrossan, Whyalla and Stanvac are operated by resource-based corporations (Fairplay 2001). Private seaports such as these tend to provide the transportation service solely for the corporation and not for other importers and exporters. The seaport activity can be likened to a jetty with dedicated and specific facilities established to transfer what is often a single resource. Other privately owned seaports (for example, Cossack Pioneer, Griffin Venture, Stag Marine Facility, Challis Venture Terminal, Jabiru Venture), although described as seaports in databases such as Shipping Australia Limited (2002), are actually floating production storage and off-take facilities that are not based on land but on offshore oilfields and gasfields. Essentially, if the resource was no longer available, a privately owned seaport would be closed down. Although some Australian seaports rely heavily on a single resource, they also transfer a range of other products and are often accountable to the public as they must comply with government

legislation requirements. However, other seaports such as Flinders Ports Pty Ltd and Toll Ports, which are privately owned and operated, are not single resource seaports but instead, appear to emulate the activities of government owned seaports as well as being interested in marketing the seaport rather than the resource. Flinders Ports Pty Ltd is an example of government owned seaports, previously managed by the Ports Corporation of South Australia, which were leased to private enterprise.

Many other resource-based corporations prefer to lease or utilise a terminal within a seaport rather than develop the required infrastructure. As the current study investigated the marketing of commercial seaports, anecdotal advice from a range of managers within the seaport industry suggested that private seaports undertake negligible, if any, marketing. However, for thoroughness each respondent was asked to identify other seaports in their home State/Territory that should be included in the census because of their commercial and marketing activity. This is discussed further later in the chapter. It would appear that private seaports form a separate population of non-marketing seaports because of their different characteristics, as do inland waterway ports and non-commercial seaports. Although it is arguable whether privately operated seaports are in fact commercial seaports, the decision for inclusion in the population was based on two main criteria - the seaport being engaged in a range of activities, and the potential for marketing the facilities and services of the seaport rather than only the resource.

A number of websites and publications (as shown in Appendix A) were used to generate the population of Australian seaports, the major sources used included:

1. the website of the Australian Association of Ports and Marine Authorities (AAPMA) (2002) which is the peak industry body for Australian seaports and marine authorities;
2. the results of a study in 1999 by Shipping Australia Limited (2002), the peak industry body for shippers;
3. The *Directory of Australian Shipping and Transport* (LLDCN 2002) that contains an Australian seaport's guide; and
4. both the hardcopy and associated online directories of Fairplay (2001) and Lloyds (1997) that list Australian seaports and other international seaports.

The AAPMA (2002) website provided the foundation of the database prepared for the current research. The website identified 29 government-owned and privatised seaports including contact details and seaport website addresses. However, as not all Australian seaports are affiliated with AAPMA, further checking with the other databases was required. For example, a report by Bureau of Transport and Communications Economics (1988) suggested Australia has 71 commercial seaports. Initially, the most commonplace data within the lists and databases were used. Notes of any discrepancies were recorded by the researcher and checked off against other available lists, telephone directories, information gained from telephone calls to seaports, and seaport websites, to enable the development of an accurate database suitable for this study. An examination of the individual seaport websites provided, in most cases, additional contact details, some of which differed from the list provided by the AAPMA website. In addition, even after extensive web searches, one seaport did not appear to have its own website thus double-checking of contact details via this means was not possible.

In 1999, Shipping Australia Limited (2002) commissioned a review of Australian and New Zealand seaports to provide shipping companies with details of facilities available at each seaport. The report, which tended to focus on operational matters within each seaport including infrastructure and berthing requirements, provides the names of the relevant port authorities or owners and postal addresses. In total 80 seaports were presented in comparison to 29 by AAPMA

In attempts to ensure coverage of Australian seaports, directories published by Fairplay (2001); LLDCN (2002), and Lloyd's (1997) were also consulted. Each of these publications provided comprehensive lists of Australian seaports. LLDCN (2002) contained details on 37 seaports; Fairplay (2001) provided information on 142 Australian seaports, a number that far exceeded that of the AAPMA (2002) website and the Shipping Australia Limited (2002) report; whilst Lloyds (1997) listed 61 seaports. A membership directory of the International Association of Ports and Harbors (IAPH 2002) was also examined but it provided little assistance as it only listed eight Australian seaports. On closer inspection however, the directories of Fairplay (2001) and Lloyds (1997) included recently closed seaports and those that are no longer commercial in nature. Of the three directories, only the Fairplay (2001) directory indicated the status of each seaport in terms of whether it was open, closed or non-commercially operated. Further, there was some replication within the Fairplay (2001) and Lloyds (1997) publications because some seaports were shown under alternative names, for example, the Port of Burnie in the Australian State of Tasmania was also listed as Emu Bay.

Another complicating factor in defining the population was differentiating between what Fairplay (2001) referred to as mainports and subports. Mainports, which were also

referred to as principal seaports (Shipping Australia Limited 2002), tended to be where the seaport administration was situated, whereas subports referred to the locations of berths and other areas of the mainport. Most of the mainports were the same as those identified by the AAPMA (2002) website. Given that the contact details for subports in each of the three directories reflected that of the mainports, the initial contact during data collection was made with mainports. During contact with respondents, confirmation of that seaport's subports and responsibilities for marketing was determined. Although it was anticipated that the mainport would conduct marketing activities on behalf of the subports, a line of questioning (as discussed later in the chapter) was established for use during primary data collection.

To ensure the population list was as complete as possible, Internet searches using a variety of search engines such as Ask Jeeves (<http://www.askjeeves.com/>), Dogpile (<http://www.dogpile.com/>), Google (<http://www.google.com/>), Metacrawler (<http://www.metacrawler.com/>), Wisenut (<http://www.wisenut.com/>), and Yahoo (<http://www.yahoo.com/>) were used. The results provided confirmation of seaport website addresses and online databases of Australian seaports such as APEC (2002), Maritime Global Net (2002), and Port Focus (2002) each listed 23, 90, and 51 respectively. In general, many of the databases, directories and lists were incomplete as most tended to focus on the major seaports or did not provide contact details of seaport personnel or managers, telephone numbers or postal addresses.

In attempting to correlate the actual number of mainport seaports and contact details, many inconsistencies were found due to either transpositional errors or dated information. It became evident after noting the "last update" date on some seaport websites that it could not be assumed that a website would have the most recent

information. This necessitated checking telephone directories and in some cases making telephone calls to seaports to check the contact and personnel details.

The details from the available databases and lists were combined and seaports that were closed, non-commercial, privately owned dedicated seaports, or naval bases were removed. The number of seaports (mainports) deemed to be the population for the current research was 30, which have coverage of a total of 61 seaports (including mainports, subports and non-commercial seaports) across the Australian States/Territories of New South Wales (NSW), Northern Territory (NT), Queensland (QLD), South Australia (SA), Tasmania (TAS), Victoria (VIC), and Western Australia (WA). The Australian Capital Territory (ACT) is the exception with no seaports because it is landlocked. A complete list of the seaports in the population is provided in Appendix A. A further effort to encapsulate the population is discussed later in this chapter. Essentially this involved requesting the respondents to list other seaports in their own Australian State/Territory and although it did not uncover any further seaports, the process confirmed the completeness of the generation of the population.

7.2.1.2 The point of contact in the seaport

Thus far, only the population of commercial seaports in Australia has been identified. Two further decisions were necessary to complete the database for this research. One was to decide upon whether the port authority, or port manager and/or operator of the seaport (which may be separate corporations or private companies) should be contacted to represent the marketing views of the seaport. Once this was decided it was then necessary to determine key informants (Phillips 1981) in the organisational structures of each seaport most appropriate to contact given the research questions being addressed.

As discussed in Chapter Three, Australian seaports may be owned and/or operated by a number of managers or operators. For example, seaports may be owned and/or managed by a port authority, or they may also be managed by parties such as terminal operators and other leasees. Where possible, the organisation with the primary responsibility for the seaport, which is generally the port authority, was chosen as it would arguably have the greatest interest in ensuring the overall success of the seaport as well as having responsibilities for trade development under State/Territory government legislation. It was also anticipated that this organisation would have an holistic appreciation of the seaport when compared to that of an individual terminal operator or leasee. Although the intention of the census is to ensure coverage of the population of seaports, it was appreciated that if a port authority for example, during data collection suggested that another party was responsible for marketing then that advice would be taken and the recommended respondent then contacted. In the main, if a seaport had a port authority then an appropriate representative from that organisation would become that seaport's respondent for the purposes of the census.

As many of the more comprehensive Australian seaport lists provided only the contact details of the CEO, further investigation was required to determine if this person was the most appropriate key informant for responding to questions on the marketing activities and strategies of the seaport. This was achieved by examining the websites and annual reports of seaports as many of these provided the organisational structures complete with individual's names, contact details and responsibilities. Where there were incomplete details, telephone contact was made with seaport receptionists to ask for the contact details of the person responsible for marketing. Although some seaports have a dedicated marketing manager, it was the trade development manager or the CEO in smaller seaports (in terms of employee numbers) that appeared to be the appropriate

contact from the details provided. According to Phillips (1981) the use of senior managers as key informants tend to be more reliable sources and able to report on organisation-wide information, a factor that is important when assessing the level of marketing of each seaport.

7.2.2 Data collection

As explained by Zikmund (2000: 125), ‘nowhere in science do we start from scratch’. This is evident in the use of previous research and literature presented in earlier chapters to enable an understanding of the current state of seaport marketing to guide the appropriate and relevant collection of primary data in the census. Much of the reported literature tended to be general in context, originating from data external to individual seaports, out of date, and referring to seaport marketing in international contexts with few Australian examples. The following section however, reports on more recent secondary data originating from individual Australian seaports. Following this the research design is discussed that guided the collection of primary data for this study.

7.2.2.1 Secondary data collection

Discussion here will be treated generally leaving more specific details to be explained in later sections. This segregation of explanation will facilitate more readily the benefits of secondary data collection when preparing primary data collection. As raised previously, secondary data was required to develop a database of not only the Australian seaports but also the appropriate contact person in each seaport. This proprietary data (Zikmund 2000) includes seaport annual reports, websites, documentation and brochures, all of which provided a rich source of seaport data. The data was also used to confirm the relevance of the terminology used by the international literature (discussed in earlier chapters) to the Australian context and as a checking

mechanism to ensure that major and important issues received coverage during primary data collection. Secondary data, as discussed later in this chapter and during the data analysis chapters, was also necessary to determine categories for answers, developing new questions, and providing comparisons when triangulating responses from the population.

7.2.2.2 Primary data collection

During business research, researchers may attempt to accommodate interviews, surveys, case studies, observation, and/or secondary data as techniques to find out more about a population (Zikmund 2000). All of these techniques have advantages and disadvantages that are well documented (Alreck and Settle 1995; De Vaus 1995; Frey and Oishi 1995; Gardner 1991; Jobber 1991; Lavrakas 1993; Walton 1997; Warwick and Lininger 1975; Zikmund 2000). An issue confounding a researcher's decision to use one design technique over another is that it implies a conscious trade-off to be made by the researcher (Heiman and Pate 1986; McGrath et al. 1982). The dilemma exists because an individual's objectives, the type of information required, and the resources available to the researcher are all factors in determining the appropriate method to use (Jobber 1991). These matters formed the consideration of the final choice of the following design technique.

Three major factors were considered to determine that a survey was appropriate for collecting data from the population of Australian seaports. First, as indicated by the limited conceptual and empirical research on seaport marketing (as reviewed in previous chapters), this study is descriptive in that it attempted to determine the current state of seaport marketing in Australia. Second, from an examination of secondary data, there is likely to be only one or two key informants in many seaports with the expertise

to discuss marketing issues or address the range of questions to be able to determine the breadth of marketing in their seaport. Third, Australian seaports are geographically dispersed over a large coastline making any face-to-face contact expensive both in terms of time and financial costs. Zikmund (2002) suggests these conditions are ideal for conducting survey research.

Survey research is what Roth and Morrison (1990) refers to as being a coarse-grained methodology. That is, it enables the collection of a significant amount of data with little probing about many issues without necessarily becoming too focused on the depth and richness of data normally associated with fine-grained methodologies such as case studies (Bell 1987; Jobber 1991; Roth and Morrison 1990). As survey research has been found to be useful in determining 'the dimensions or prevalence of a particular issue or problem' (Gardner 1991: 37), it was more likely to be able to provide the necessary data to address the research questions in this particular study.

There are four generally accepted techniques of collecting survey data - face-to-face interviews, telephone interviews, postal questionnaires (Alreck and Settle 1995; De Vaus 1995; Jones 1985; Zikmund 2000), and email questionnaires being a more recent addition (Dillman 2000). Each technique was considered as to its suitability to the current research because as Dillman (1978: 39) explains,

...although each method has certain strengths and weaknesses, they do not apply equally or sometimes at all, to every situation. Thus until the attributes of each method are considered in relation to the study topic, the population to be surveyed, and the precise survey objectives, the question of which is best cannot be answered.

In deciding whether a telephone or face-to-face interview should be conducted, Frey and Oishi (1995) suggest that three questions be considered:

1. What resources, including funding, personnel, time, and facilities are available?
2. What are the characteristics of the target population?
3. What are the survey objectives?

In considering the first question, given the wide geographic spread of seaports around Australia's coast line, and the inherent pragmatic consideration of travel costs and the time required for interviews and travel (Alreck and Settle 1995), face-to-face interviews are prohibitive. In contrast 'a single interviewer can reach a large number of people over a wide geographic area in a short amount of time' using the telephone (Frey and Oishi 1995: 19). As no other personnel and only limited funding and facilities were available, a face-to-face interview became more unattractive. This essentially left telephone, postal, or email data collection as possible collection techniques. To determine which technique would be most conducive and acceptable to the population, and hence gain the highest possible response rates, the views of seaport managers similar to the proposed population were sought. This assisted in addressing the second question relating to the characteristics of the population posed by Frey and Oishi (1995).

A number of brief informal discussions with nine senior seaport managers in the Australian States of Queensland, New South Wales, Victoria and Tasmania were conducted based on a convenience sample. The discussions were conducted in person to gain a preliminary appreciation of the issues they perceived as important to the marketing of Australian seaports as well as an understanding of the most appropriate means of collecting primary data. For example, the unstructured discussion with the seaport managers was useful in providing an understanding of their particular terminology and for discovering that although it had not been reported in the literature,

there was at least a few seaports proactive in marketing. Even at this early stage, there were indications of inconsistencies between reports in the literature and of seaport business practice. One senior seaport manager for example, distributed newsletters, conducted corporate image surveys and customer forums, viewed his seaport's website as a marketing opportunity, produced television advertisements, and provided a number of industry sponsorships. In that seaport manager's words, this "*in your face marketing*" was the means of raising awareness about the seaport. Also of interest was the comment from another respondent that some seaports may use the term sales or trade development to represent marketing - this was useful when examining organisational structures to assist in determining potential respondents in the seaports. Further discussion of these managers' views will be elaborated on in the next chapter.

There was consensus from these seaport managers that a postal or email survey would not be as effective for data collection because they tend to receive numerous questionnaires from government and various industry bodies, including some research institutions. They suggested that postal or email surveys may not be completed due to the number of compulsory government-related surveys. Similar findings reported by the Bureau of Transport and Communications Economics (1995a) found that when collecting data from seaports, a number of the smaller seaports complained that government requests for information were stretching resources. Although there was consensus that face-to-face interviews may gain the highest response, they recognised the difficulties and constraints this survey technique imposed. All nine respondents agreed that a telephone interview would be a suitable technique for data collection.

Consideration of Frey and Oishi's (1995) third question of 'what are the survey objectives?' tended to have little impact on the choice between telephone and face-to-

face interviews because the objectives of the survey research could be met by either data collection technique. Although it was recognised that being physically present with the respondent may provide greater potential for gaining more qualitative comments, this was not enough to balance the pragmatic considerations of time and financial costs given that probing is possible during a telephone interview (Lavrakas 1993).

The major considerations then for determining the data collection mode were based on which one would address the research objectives, the wide geographic spread of the seaports around Australia's coast line, and input from representatives from Australian seaports. The results of these considerations all pointed toward the use of a survey, or more specifically a telephone interview. Telephone interviews however are not without their disadvantages. Although less costly than personal interviews, telephone interviews must contend with charges for national long distance rates, however, these charges are a fraction of the travel costs of a face-to-face interview (Alreck and Settle 1995; Lavrakas 1993). There are also concerns of having only audible contact with respondents, the tendency for shorter answers to open ended questions, and the possible shorter duration of the interview (Cannell 1985b; Lavrakas 1993). As these issues have the potential to increase total survey error, they are discussed further in a later section on error control processes.

7.3 TELEPHONE INTERVIEW METHODOLOGY

As explained by Lavrakas (1993), telephone interview techniques are based on methodologies developed for face-to-face interviews and thus share many of its advantages (Jones 1985). Advantages attributed to telephone interviews include cost

efficiencies, reduced total survey error, the speed of data collection, and generally higher response rates whilst still maintaining quality control (Cannell 1985b; Frey and Oishi 1995; Lavrakas 1993; Zikmund 2000).

Cannell (1985b: 63) describes researchers' once negative views of using telephone-based data collection by explaining,

...we always used to look down our noses at telephone surveys and told ourselves that telephone surveys were done simply to save money, people were not worrying about quality. Then the more we began to look at it ourselves the more we saw that telephone interviews had a real potential in data collection.

Telephone interviews are now an 'increasingly popular means of conducting survey research' as well as a valid means of data collection that should not be considered inferior to face-to-face interviews, particularly for elite populations that include senior managers (Frey and Oishi 1995: 4). Lavrakas (1993) suggests that the advantages of conducting a telephone interview, in relation to reducing total survey error, far outweigh the disadvantages. Lavrakas (1993: 13) continues that there are 'no insurmountable barriers of a physical or social nature that automatically invalidate use of telephone surveys'. In relation to response rates for example, Cannell (1985b) found that telephone interviews tend to be only three to five per cent lower than that for face-to-face interviews. As the reasoning for using a telephone interview has been discussed, the following sections explain how a telephone survey instrument was prepared including the development and design of questions.

7.3.1 Instrument development

A semi-structured interview instrument (Appendix B) was developed that includes both closed- and open-ended questions. Although a structured interview consisting entirely of closed-ended questions has the advantage of shorter administration times, it has the

disadvantage of not offering respondents the opportunity to fully express their points of view (Gillham 2000). In addition, if respondents were required to only provide answers to dichotomous and Likert questions, then early termination of the interview may occur due to boredom. Thus, because of the benefits of probing even for closed questions, the use of open-ended questions and the in-depth nature of the interview, the telephone interview instrument would fit into the medium-grained methodology referred to by Roth and Morrison (1990) in that it has some of the benefits of coarse-grained and fine-grained methodologies.

A review of literature on services marketing and seaport marketing in earlier chapters suggested a number of dimensions that may be useful in determining whether marketing activities and strategies were being used by Australian seaports (Table 7.1).

Table 7.1: Dimensions used to determine marketing activities and strategies

	Interview schedule dimensions	No. of items	Types of questions				
			Dichotomous	Likert	Forced choice	Rank	Open
A	Marketing department	23	4	6	5	1	7
B	Competitive environment	7	-	5	-	1	1
C	Seaport marketing strategies	20	6	11	1	-	2
D	Seaport marketing activities (SMA)	8	-	5	1	-	2
E	SMA - Market research	9	-	6	-	-	3
F	SMA - Seaport product	11	-	9	-	-	2
G	SMA - Seaport charges	16	-	16	-	-	-
H	SMA - Promotion	12	3	4	2		3
J	SMA - Logistical involvement	5	-	4	-	-	1
K	SMA - Physical evidence	8	-	8	-	-	-
L	SMA - Service processes	7	-	6	-	-	1
M	SMA - Participants	12	-	12	-	-	-
N	SMA - Customer satisfaction	8	-	7	-	-	1
P	SMA - Customer relationship management	16	-	14	-	-	2
R	Peer assessment	4	-	-	-	2	2
S	Seaport demographics	18	2	-	14	-	2
	Total number of items	184	15	113	23	4	29

Source: Appendix B

The major dimensions essentially reflected the elements of the expanded marketing mix in addition to CRM, customer satisfaction, and marketing strategy in relation to the strategies used and the role of the marketing department. In addition, the dimensions of competitive environment and peer assessment were added to determine respondents' views and understanding of the level of competition within the sector, whilst the demographic dimension was a valuable means of providing variables on which to stratify the population. In total 184 items were measured across the 16 dimensions. The dimensions are shown in Table 7.1 along with the corresponding number of items in each dimension and the types of questions used.

Whilst it was accepted that some seaports might have formal marketing strategies, it was still necessary to determine the extent of these marketing activities and strategies because it was also plausible that particular marketing activities may be undertaken without any strategic consideration. If the extant seaport marketing research, as explored in earlier chapters, is correct, it was expected that where marketing does exist it may occur on an informal or ad hoc basis. Thus, a comprehensive coverage of potential indicators of marketing via the 184 items was used (as shown in Appendix B) to establish the existence and breadth of marketing activities and strategies by seaports.

Determining the range of marketing activities and strategies may indicate what seaports are undertaking but not necessarily how extensive marketing is throughout the seaport. One means of understanding the pervasiveness of marketing in an organisation is to examine whether it has a market orientation. As discussed in previous chapters, there appears to be some consensus on the use of the term market orientation within both the generic and seaport marketing literature. Given that many instruments are available to

measure an organisation's market orientation, rather than develop a new instrument, a replication of another was decided.

The 20 market orientation questions shown in Appendix C were developed and validated (via content, criterion and construct validity) by Gray et al. (1998). They found that market orientation is a multi-dimensional construct consisting of five dimensions capable of being measured by 20 questions using a five point Likert scale. The decision for using these particular questions was based on the following reasons. Firstly, the questions represented a parsimonious measure of market orientation based on the widely accepted work of Deng and Dart (1994), Kohli and Jaworski (1990); and Narver and Slater (1990). Parsimony was a relevant issue for the current research because a market orientation is only one of the marketing-related issues being researched. Secondly, many studies have investigated market orientation in a range of industries, many of which tend to be US-based or focused on companies that market physical products. Of these studies, the Gray et al. (1998) sample appeared to have more similarities with the seaport population, in that the sample included marketing managers and CEOs in New Zealand service-based and manufacturing firms, including 14.4 per cent in the transport, storage and communications industry. Rather than including the 20 market orientation questions consecutively, they were dispersed throughout the survey instrument in the current study in accordance with a thematic design approach, which is explained further in the following section. For ease of recall by the researcher during data analysis, the letters MO for Market Orientation were inserted under each item number in the instrument.

Another mechanism used to ascertain whether the seaport was market-oriented was via a list of four statements that referred to the seaport's business philosophy. The

statements were also adapted from Deng and Dart (1994) by Gray et al. (1998). During the primary data collection, respondents were asked to rank the four statements (see Table 7.2) as they relate to their business success. The four business orientations of production, sales, market, and societal were implied within each of these statements from Statement 1 to Statement 4 respectively. A comparison between the 20 market orientation questions and ranking of the four statements may provide an interesting insight into each seaport's business approach.

Table 7.2: Business philosophies of seaports

Statement 1
The key to business success is producing quality goods and services at a reasonable cost. Good products and services sell themselves. If possible, products and services should be standardised to keep costs down.
Statement 2
The key to business success lies in persuading potential customers to buy your goods and services through advertising, personal selling or other means. Potential customers must be informed and convinced of the benefits of the products.
Statement 3
The key to business success is to integrate all company activities and personnel towards satisfying customers, while providing satisfactory profits to the firm. The firm should find out what benefits customers want and then provide these benefits through goods and services.
Statement 4
The key to business success lies in satisfying important 'publics' of the company. These publics include customers, employees, stockholders, government agencies, suppliers and the public at large. All of their interests should be considered when making decisions.

Source: Gray et al. (1998: 903)

7.3.1.1 Question types and measurement scales

A number of question styles (as indicated in Table 7.1) were used in the census instrument to elicit differing depths of detail. The bulk of the questions in the interview schedule were Likert scales used to assess respondents' attitudes and levels of agreement to marketing issues. An advantage of Likert questions is that they acquire detail easily and quickly from respondents, which is an important consideration when conducting telephone interviews. Although Likert scales with five to seven points are common in survey research, Fink (1995) suggests four to five point scales are more

appropriate for telephone interviews to reduce the possibility of memory error. A five point Likert scale rather than a four point scale was used because a midpoint option designated as “Unsure” was included to provide responses that are more accurate. The scale, using strongly agree to strongly disagree, was used to measure respondents’ positions on statements in terms of their agreement or disagreement (Alreck and Settle 1995). For coding purposes, low numbers were assigned to negative responses and higher numbers to positive responses as suggested in the research literature (Dillman 1978; Zikmund 2000).

The census instrument also consisted of open-ended questions to gain explanatory qualitative responses and “quotable quotes” (Fink 1995). Open-ended questions were also used where possible responses were difficult to anticipate (Dillman 1978). Other question types included forced choice, dichotomous (yes/no), and ranking questions. In developing lists of possible responses for forced choice and ranking questions, the objective was to be comprehensive and mutually exclusive to assist with pre-coding. However, to allow for ‘any exceptional or unusual responses’ (Alreck and Settle 1995: 108), a category designated “Other” was included. Table 7.3, which is based on the information provided in Table 7.1, provides a list of the number and questions types, giving a total of 184 items.

Table 7.3: Interview schedule questions by type

Question type	Number of questions	Percentage (%)
Likert	113	61.4
Open-ended	29	15.7
Forced choice	23	12.5
Dichotomous	15	8.2
Ranking	4	2.2
Total	184	100.0%

Source: Appendix B

In particular, the questions sought to gain detail on the attitudes, beliefs, behaviours and attributes of respondents (Dillman 1978). To assess respondents' attitudes towards the use of marketing in seaports, ordinal scales were used to measure the levels of agreement to particular statements. Examples of these Likert scales are Items A.21, C.6, D.2-D.6, E.4, and F.1 (Appendix B). Open-ended questions were also used to enable respondents to elaborate on their views (see Items D.7, E.9, H.3). Questions on the respondents' beliefs were used to 'test knowledge of facts, people and perception' (Dillman 1978: 80) and included forced choice questions (for example Items A.6, B.6, C.14, D.1), open-ended questions (such as Items A.12, A.13, F.10, F.11, H.1), and dichotomous questions (see Items A.14, C.1, C.15, C.16, C.18, C.19). In assessing behaviour, the questions attempted to explore what seaport management are currently doing and planning to do in the future in relation to the marketing of their seaport. This involved the use of open-ended questions (such as Items D.8, E.7, E.8), nominal scales in relation to dichotomous questions (such as Items H.4, H.12, P.16), and ordinal scales (Items G.1, G.3, G.5-G.8, G.11-G.12, G.14-G.16). Finally, demographic questions involving checklists and forced choice questions, some using nominal and ratio scales (many of which are in Appendix B - Section S), were used to determine the attributes of the seaport to build a profile useful for comparison with other seaports. An advantage of using a variety of question types when conducting telephone interviews is that it keeps the interview interesting and stimulating for the respondent and thus may reduce early termination.

7.3.2 Instrument design and layout

Throughout the instrument, a consistent approach was taken to the writing of instructions and routing statements. A decision was taken that all text that was to be read aloud would be written in Times New Roman (or normal text) and other comments

such as question routing or instructions to the interviewer would be in italics to enable them to be clearly distinguishable. Question routing instructions were offset to the right of the page adjacent to the relevant possible responses to minimise the chance of them being missed by the interviewer. A number of researchers (such as Alreck and Settle 1995; Conklin 1999; De Vaus 1995; Frey and Oishi 1995) have recommended that instructions be underlined, in bold and capitalised text as well as being in a box. This was initially trialled during pretesting but was found to be too explicit and unwarranted given the presentation of the census instrument.

Whereas developing a mail survey requires a great deal of attention to its design to ensure ease of use for the respondent, the design of a telephone interview was developed for ease of completion by the interviewer and how it sounds to the respondent (Dillman 1978). Although respondents in the current study did not see the instrument for the telephone interview, a standardised and semi-structured instrument was developed as a means of reducing error and because it 'leaves nothing to chance' (Frey and Oishi 1995: 2). In addition, a thematic (or functionalised) approach to the instrument was used by categorising the items firstly by major dimensions and then by scaling technique within each dimension as per suggestions by Alreck and Settle (1995). Each dimension was labelled alphabetically from Section A through to Section S. Items within each section received an alphanumerical label, for example, A.1, A.2, A.3.... To avoid possible confusion during data analysis, the letters of I, O and Q were not used to label sections (I may be confused with 1, O confused with 0, and Q mistaken as an abbreviation for question). Also item numbering began from one for each section to reduce flow on errors from section to section. By grouping questions by major dimensions, respondents may recognise relationships between questions thereby keeping them focused on the dimension (Alreck and Settle 1995; Frey and Oishi 1995).

During data analysis, items were re-ordered to suit the needs of the researcher, but during data collection, items were arranged to assist the flow of the interview for the respondent.

By using a thematic design, transition statements informing the respondents about each group of questions could be used to focus their thoughts on the particular dimension (Dillman 1978). As recommended by a number of researchers (Alreck and Settle 1995; Dillman 1978; Frey and Oishi 1995), transition statements were used freely to provide a better flow to the interview and keep it conversational. Although the advice by these researchers was to differentiate transition statements and instructions by using upper case letters or other emphasised text, this was not used. Instead, as transition statements were spoken text, it was shown as “normal” written text. Due to the number of Likert questions in the interview schedule, attention to their placement was required because as Converse and Presser (1986) suggest, if too many of the same question type are placed together, respondent fatigue and boredom may result. For sections consisting solely of Likert questions such as Sections G, K, and M, transition statements were used to give the respondent (and interviewer) a mental break and chance to refocus on the new dimension.

An interesting debate in the literature on survey design relates to the length and thus the duration of the telephone interview. One logic is that there is greater chance of reducing both interviewer and respondent fatigue and thus successfully completing an interview if it is shorter in duration (Lavrakas 1993). Others (De Vaus 1995; Dillman 1978) however, raise concerns that if the duration is too short, then the respondent may see the interview and research as being superficial or trivial. Dillman (1978: 54) for example, explains that:

...after response rates, the factor that has contributed most to the poor image of mail and telephone questionnaires is the view they must be kept short, too short for the study of significant social science questions.

An advantage of telephone interviews is that asking individual items during telephone interviews can take ten to 20.00 per cent less time than during a face-to-face interview (Groves 1989). When one considers the diverse range of issues, methods, and respondents when conducting telephone interviews, it is not surprising that a consistent view on the duration of telephone interviews is yet to emerge. Converse and Presser's (1986: 62) view is typical of the conclusions of researchers on this matter where they explain that face-to-face interviews should be no longer than one hour whereas for telephone interviews 'the norms are for shorter times'.

When considering the duration of a telephone interview, respondent and interviewer fatigue can impact on the termination of the interview and the quality of data. It was suggested that after 20 to 30 minutes respondent fatigue may occur (Gillham 2000; Lavrakas 1993; Zikmund 2000). However, respondent fatigue and early termination may be countered by the respondent's interest in the interview topic, the researcher and his/her organisation's reputation, and the provision of call back options (Cannell 1985a; Converse and Presser 1986; De Vaus 1995; Lavrakas 1995; Zikmund 2000). De Vaus (1995) further explains that the length of the interview appears to be less important when interviewing specialised or elite populations with relevant topics. Frey and Oishi (1995) suggest that telephone interviews up to 50 minutes are possible (compared to 60 to 90 minutes in a face-to-face interview) but also note that fatigue can affect data quality.

Despite the differing views on duration, survey researchers (such as De Vaus 1995; Dillman 1978; Frey and Oishi 1995; Lavrakas 1993) claim that once started, it is likely

that a telephone interview will be completed because the respondent appears to lose track of time. For example, Oksenberg, Coleman and Cannell (1986) found that only ten per cent of refusals occur after the interview has begun, whereas 40.00 and 50.00 per cent respectively occur during either the first few sentences or the introductory section. During a number of telephone interviews conducted by Dillman (1978), he found that terminations during the middle seldom exceeded two per cent. This means that in terms of increasing response rates the first ten seconds to two minutes of the telephone interview are vital for attaining a high response rate (Alreck and Settle 1995; Cannell 1985b; Lavrakas 1993). The development of the initial telephone discussion with potential respondents is addressed separately in a later section discussing how the census was administered.

Respondents incur time costs for participating in the study, as Dillman (1978: 15) explains:

The critical issue is finding the delicate balance between the researcher getting the amount of information he or she wants without respondents finding the questionnaire too costly in terms of time and effort.

To reduce these costs to the respondent, the questions were written so as not to create embarrassment, or anxiety, or requiring too great a mental effort (Dillman 1978). In other words, the interview process was made as easy as possible for the respondent in terms of directions, question flow, and the use of relevant questions. It was also possible that respondents may find the examples and issues given during the interview rewarding in that it helps them think further about marketing their seaport. Any direct monetary costs to respondents were minimised (that is, telephone call costs) by leaving messages when the potential respondent was unavailable that the interviewer would ring back rather than requesting the seaport manager to return the call.

7.3.2.1 Question order

According to Conklin (1999) and Dillman (1978), it is important when conducting a telephone interview to allow respondents to find their “telephone voice”. They suggest that the telephone interview begin with an easy closed question, and then be asked an open-ended question. In deciding which questions to place first, preference was given to those that would maintain interest and be directly related to the dimension as well as being non-threatening (Frey and Oishi 1995). As the research was described during communication with respondents as a major study, the interview began with questions central to the dimension, because it is the first few minutes that are pivotal to reducing early termination (Dillman 1978). A conversational flow was used by the interviewer to keep the interview moving and to reduce the possibility of any natural breaks that may prompt early termination by the respondent. As explained earlier, to achieve this, similar question types were grouped together within each major dimension to enable respondents to get into a flow whilst at the same time not being too lengthy as it may result in boredom and frustration.

As recommended by the survey research literature (for example, Alreck and Settle 1995; Converse and Presser 1986; Frey and Oishi 1986), the more sensitive demographic items were positioned toward the end of the census instrument, as a greater item response was likely due to rapport and trust being developed. Cannell (1985b) reports how a number of studies found it easier to receive comments on sensitive issues due to the anonymity of a telephone interview. In addition, these items tended to be those easier to answer when the respondent was becoming fatigued. If the interview ended prematurely, some of these questions may be approximated from secondary data such as annual reports. A potentially sensitive question that was treated differently was whether the respondent had a marketing or business-related qualification

(Item A.5). This was asked during Section A rather than during the other demographic questions in Section S for two reasons. Firstly, because other questions in Section A relate to the respondent's marketing responsibilities it was considered reasonable to ask about their qualifications. Secondly, the early placement was to ensure that this important question was asked before the likelihood of termination that may occur prior to the final section of questions (Alreck and Settle 1995; Converse and Presser 1986).

7.3.2.2 Question wording

As recommended by a number of researchers, attention was given to questions in the instrument being conceptually clear, without colloquialisms or slang, and the use of neutral phrasing (Frey and Oishi 1995). The survey research literature (for example, Alreck and Settle 1995; Converse and Presser 1986; De Vaus 1995; Dillman 1978, 2000; Fink 1995; Frey and Oishi 1995; Zikmund 2000) provides guidance on a range of issues to consider when writing questions such as having one concept per question, double barrelled questions, brevity, simplicity, the use of jargon and slang, leading questions, loaded questions, short questions, double negatives, implicit negatives, dangling alternatives, and clarity. Where possible these suggestions were implemented. Examples of questions not addressing these issues were the replicated market orientation questions and those requiring additional detail to explain the concept (see Items A.8, C.15). Replicated questions were kept as original as possible because as Lavrakas (1993: 24) warns, 'if one improves the items wording, comparability to previous data is often lost'. Additionally, some double-barrelled questions were used as these did not diverge from the purpose of the question (see Items G.15, G.16, K.5, P.6).

Converse and Presser (1986) and Frey and Oishi (1995) recommend that response cards be provided where questions have five or more possible responses for respondents to

recall in a telephone interview. Three response cards were provided (see Appendix D). Response Card A was used to assist respondents rank six possible responses, whilst Response Card B, although involving a ranking of four responses was utilised due to the complex nature of the responses. As the Likert questions contained five possible responses, Response Card C was provided. Response Card C did not show, the “Not Applicable” option as it was preferred that respondents attempt to address the question rather than take this possibly easier response. However, the “Not Applicable” option was included on the survey instrument to ensure complete coverage of possible responses. In accordance with Alreck and Settle (1995), the response cards sent to respondents were printed on coloured card so that they stood out, labelled with an alphabetical letter (for example Response Card A), and contained one scale per response card.

7.3.2.3 Layout of the census instrument

The layout approach adopted for the census instrument was similar to that of a mail survey as it provides a clear, ordered and manageable approach to conducting the interview. This was in line with the recommendations of a number of researchers (for example, Alreck and Settle 1995; De Vaus 1995; Dillman 1978; Frey and Oishi 1995; Lavrakas 1993) that the instrument must be useful to the interviewer in that it should be arranged for maximum interviewer readability and administering with sufficient white spacing to reduce eye strain and confusion. In other attempts to improve readability, a standardised format was used throughout the instrument, questions were not broken between pages, and the instrument was printed on one side of the paper to minimise the chances of missing questions (De Vaus 1995; Dillman 1978; Frey and Oishi 1995). In addition, response boxes were placed to the right of questions rather than to the left so the interviewer’s hand remained clear of the possible responses (De Vaus 1995). Given

that the interviewer was right-handed, placement of the response boxes to the right 'requires less back and forth movement of the hand and keeps the hand from covering the next question on the page' (Dillman 1978: 226).

Coding was built into the instrument for ease of use during data analysis (Frey and Oishi 1995) by inserting small numerals to the right side of possible responses. No additional coding was necessary for Likert questions because they had built-in coding (Alreck and Settle 1995). Although Alreck and Settle suggest coding be positioned to the left side of responses, they were placed to the right as this would make them easier to see during data analysis. Dichotomous responses normally do not require precoding because the response is used (Alreck and Settle (1995), however, for consistency precoding was completed for all items with the exception of open-ended questions.

7.4 PRETESTING

Prior to administering the interview, the instrument was pretested to reduce error and ensure it was appropriate for use with the population (Alreck and Settle 1995; Conklin 1999; Converse and Presser 1986; Zikmund 2000). The pretest took the form of two-stages, a developmental pretest and a polishing pretest as recommended by both Conklin (1999) and Converse and Presser (1986). The developmental pretest focused on the mechanics of the paper version of the instrument, whereas the polishing pretest was a 'dress rehearsal' (Converse and Presser 1986: 74) of the interview to ensure clarity.

The pretest sample consisted of three main groups - academics, seaport professionals, and other colleagues to enable coverage of a wide number of issues from different

perspectives. The academic subsample included four with a maritime background thereby contributing both in terms of academic rigour and in assessing question wording to ensure suitability for seaport managers. Seaport professionals were an important part of the pretest sample as they were most similar to the population being interviewed and addressed the suggestion of Converse and Presser (1986: 68) that it is necessary to 'take a pretest out beyond the small world of colleagues, friends or family'. Other colleagues included people who were not familiar with marketing or the seaport industry. They represented an important part of pretesting in relation to assessing readability and ensuring a clear understanding of the questions. The pretest sample totalled 15, consisting of eight academics, four seaport professionals, and three colleagues.

Considering the mix of people included in the pretest sample, a sample size of 15 was deemed to be sufficient particularly as this represented half of the population size. Ten assisted in the developmental pretest and five were involved in the polishing pretest. Where it is usually possible to include more in the pretest sample, it is the benefits the sample brings to the pretesting that is of importance. Frey and Oishi's (1995) view is that care must be taken in over pretesting because it can become counterproductive when trying to balance different considerations.

7.4.1 Developmental pretest

According to Conklin (1999) and others (Converse and Presser 1986; De Vaus 1995), the purpose of the development pretest is to examine the mechanics of the survey instrument including the numbering, transition statements, layout, use of instructions, item wording, filter questions, the general administration of the census instrument, and suggestions for improving instrument and interview process. The developmental pretest sample of ten were also asked to record how long it took to work through the census

instrument to give an initial indication of interview duration. In addition, they were requested to pretest the advance letter and confirmatory telephone interview (to be discussed in sections 7.5.1 and 7.5.2).

The pretest sample were provided with a hard copy of the instrument (see Appendix B), the advance letter (Appendix E), confirmatory telephone interview instrument (Appendix F), and a three-page explanatory pretest letter (Appendix G). The letter:

1. thanked them for participating in the pretest;
2. explained the purpose of the research;
3. listed the primary and secondary research questions;
4. informed the pretest sample of the procedure for administering the census instrument;
5. explained some of the features of the census instrument that may have created concern for the pretest sample, for example, noting that instrument sections labelled I, O or Q had been omitted, and explaining the relevance of the letters MO under 20 item numbers; and
6. provided the contact details of the interviewer if the pretest sample had any queries.

The third page of the letter listed 19 questions (based on the recommendations of Alreck and Settle 1995; Bell 1987; Block 3A Research Design 1979; Converse and Presser 1986; Singleton and Straits 1999; Warwick and Lininger 1975) divided into three sections - layout issues, completing the questionnaire, and purpose of the questionnaire. The term questionnaire was used for the pretest sample as it may be more readily understandable to them than using “telephone census instrument”. The purpose of the questions in the letter was to draw particular attention to problematic issues indicative of many questionnaires.

Although the market orientation statements and questions were replicated from other studies, they were still included in the pretest to ensure the language and terminology were appropriate and relevant to the population. In addition, they were pretested to ensure the meaning of the questions was not affected by the context of neighbouring questions (Converse and Presser 1986).

Typical comments from the developmental pretest sample related to possible redundant questions, concerns about the length of the interview schedule, and suggestions for rewording questions. With the exception of concerns about the length, there was little consensus among the sample in relation to comments. As it is not always realistic to implement all suggestions, it was necessary for the interviewer to determine if the changes would improve the instrument based on face validity.

7.4.2 Polishing pretest

After making the necessary alterations to the census instrument, another five people making up the pretest sample were enlisted to assist in, as Conklin (1999) terms it, “polishing” the instrument. This was a useful process as it is conceivable that changes made to the census instrument may introduce further error. As opposed to the developmental pretest sample that examined the census instrument without the presence of the researcher, the polishing pretest took the form of the researcher interviewing individual members of the sample using the census instrument, thus testing the administration of the interview. The polishing pretest enabled the interviewer’s style and manner to be assessed and to determine if a neutral but interested approach was used (Conklin 1999). It was also an opportunity to time the duration of the interview, check that words are correctly pronounced, pretest the use of response cards, assess respondent and interviewer fatigue, test the effectiveness and clarity of taping the

interview, and receive some preliminary data to test the data coding system (Converse and Presser 1986; Dillman 1978; Zikmund 2000).

Pretesting suggested that the interviews would take approximately 35 minutes to administer, and no major problems were foreseen. With two stages of pretesting completed, the census instrument was ready to be administered. As explained by Frey and Oishi (1995: 108) 'pretests are necessary but sometime the line must be drawn and the questionnaire put into the field'.

7.5 PROCEDURE FOR ADMINISTERING THE CENSUS

A multi-contact approach to administering the census was implemented consisting of an advance letter, follow-up telephone call, and where necessary, a separate telephone call to conduct the interview. This approach was used because of the work requirement levels of elite groups such as CEOs and senior managers. For example, it is suggested by Lavrakas (1993) that advance letters for elite groups in particular are a useful technique for increasing response rates due to their busy schedules as it prepares them for the follow-up telephone call.

7.5.1 Advance letter

The first contact with the population was by an advance letter, so named because its purpose was to provide advance warning of a telephone call from the interviewer. As opposed to a 'cold call', Lavrakas (1993: 120) explains that an advance letter may increase response rates because the potential respondent has been 'warmed up' to the research, a factor that was important when interviewing elite target populations such as senior managers. Similarly, Frey and Oishi (1995) suggest that without an advance

letter there is a “surprise element” where the respondent is attempting to decide within less than one minute whether to participate and in doing so may not be listening to the researcher’s introductory comments. Traugott, Groves and Lepkowski (1987) provide empirical support that a ten per cent increase in response rates was achieved in their telephone interviews by sending an advance letter. When options for call backs and the scheduling of telephone interviews were conducted at an elite group’s convenience as well as providing an advance letter, Lavrakas (1993) found response rates between 60.00 and 80.00 per cent were possible. A much earlier study of telephone interviews by Dillman (1978) found that response rates of over 90.00 per cent were obtained only after respondents received an advance letter.

The advance letter (see Appendix E) also provided tangible evidence of the legitimacy of the study (Dillman 1978) and relayed the importance of the study and the valuable contribution from the potential respondent to the research (Frey 1989; Frey and Oishi 1995). A high profile to the research was attempted by explaining that (1) the research was a joint initiative of two tertiary institutions; (2) the study was a census of all Australian seaports; (3) it was anticipated that the research findings may improve the competitiveness of Australian seaports both domestically and internationally; and (4) that the study was believed to be the first of this type of research on Australian seaports.

To provide evidence of the academic nature of the research, increase authenticity and give a professional appearance, letterhead from the Australian Maritime College (AMC) was used (Frey 1989; Lavrakas 1993). To further legitimise the researcher, the researcher’s business card was paper-clipped to the letter near the signature. The letter was personalised by addressing the potential respondent by name and title and signed

with a non-black ink (blue) in attempts to indicate that the signature was not computer generated (Alreck and Settle 1995; Frey and Oishi 1995; Lavrakas 1993).

The one page advance letter was written in single spaced block style and began by explaining to the potential respondents the significant contribution they could make to the study. The dated advance letter also explained the process of the research in terms of the initial telephone contact and telephone interview, and the willingness to schedule a time convenient to the respondent for the telephone interview (Frey 1989; Lavrakas 1993). Due to the high status and recognition of the AMC in the maritime industry, it was decided that a letter from a sponsor was not required. It is argued that the vast majority, if not all the respondents would be aware of the AMC's role in the maritime industry as many seaport personnel and managers have undertaken undergraduate or postgraduate studies, training, or been involved with either AMC or AMC Search (the commercial arm of the institution). The potential recognition of AMC by the respondents may increase the response rates because as Dillman's (1978: 16) studies of telephone interviews found, respondents may participate 'not so much because of any feelings of obligation to the researcher, but because they feel that they have received past benefits from the college or university'. Dillman (1978: 242) also makes the point that respondents may assume that 'the university would not be sponsoring this study if it were not important'.

An inducement to participate in the research was offered by way of a summary report of the results of the study. A report was found to be 'a powerful inducement to respond' for business and professional respondents who may be keen to read about the opinions of others in similar positions (Alreck and Settle 1995: 203). Providing an inducement

has been shown to increase the response rates in surveys (Alreck and Settle 1995; Lavrakas 1993). For the same reasons, confidentiality of responses was assured.

The anticipated length of the telephone interview was omitted from the advance letter and from the discussion that would follow in the initial telephone call as it may discourage participation from potential respondents. Lavrakas (1993) suggests that if a telephone interview will take more than fifteen minutes then no comment should be made unless the respondent enquires. Although it could be argued there was an ethical obligation to inform potential respondents of the time commitment required, respondents are free to break off from a telephone interview at any time. As raised earlier, if a telephone interview is not broken off in the first minute to two minutes then respondents will usually continue with the interview.

A number of researchers (such as De Vaus 1995; Frey and Oishi 1995) suggest that addresses on envelopes containing advance letters should be handwritten to provide a personal touch; a similar reason is given for using stamps rather than franking (Lavrakas 1993). However, as handwritten addresses do not provide a professional appearance, and given the letter would be sent to CEOs and senior managers, a professional appearance would be expected. Therefore all addresses on envelopes were typed. In addition, as letters in general mailed from AMC to various seaports in the past have all been typed, a handwritten address may give the appearance of a student undertaking the research. In respect to the use of postal stamps, as the franking machine used by the AMC prints the full name of the institution and the address on the envelope, this was used as it further legitimises the study. To draw further attention to the institution, a rectangular gloss black and gold sticker AMC was placed on the top left hand corner of each envelope.

An issue that was contemplated and discussed with members of the pretest sample was whether response cards for questions should be inserted with the letter or mailed separately when the seaport senior manager agreed to participate in the study. The provision of response cards was a means of overcoming the disadvantages of telephone interviews by utilising visual cues (Lavrakas 1993) as well as reducing recency effect and memory errors (Frey and Oishi 1995). As recommended by these researchers, the response cards accompanied the advance letter to save time and reduce the need for an additional postal contact with the respondent. The other alternative was to fax, email or post the three response cards after the initial telephone contact. This may have become problematic if the respondent decided to participate in the study at the time of the initial telephone contact.

In anticipation of the potential respondent having misplaced or not receiving the advance letters or response cards, electronic copies were developed to allow immediate delivery to the respondent during the initial stages of the telephone interview. Hard copies were also kept if the respondent preferred them to be faxed or re-mailed. A potential benefit of including the response cards was that the population might judge the quality of the study by the appearance of the response cards. Therefore, particular attention was given to each response card to ensure it was professional in appearance (as determined by the pretest sample), clearly marked Response Card A, B, or C, and each labelled at the bottom with the wording '2003 major study on the marketing strategies of Australian seaports' (as shown in Appendix D). Each card was printed on buff coloured cardstock so that it stood out from the letter and from other papers on the respondent's desk thus making it easy to find. As a result of using cardstock for the response cards and not wishing to fold them, an A4 envelope was used for the advance letter and response card.

When mailing out the advance letter and response cards, attempts were made to ensure the respondent received it midweek to avoid as De Vaus (1995) puts it, the “Monday pileup” and thus the chance of the letter being overlooked or not read completely. Confirmatory telephone interview calls to the population began in most cases within one week of the anticipated receipt of the advance letter.

7.5.2 Confirmatory telephone interview

A call sheet for each member of the population was developed (Appendix F) that included the respondent’s name and job title, seaport, contact details (telephone, email, mobile, fax), space to record call times and where necessary call back times, and introductory comments to be read by the interviewer (De Vaus 1995; Dillman 1978). As the study was involving seaports throughout Australia, the timing of the call was important as it had to take into account three different time zones across Australia ranging from 30 minutes to three hours time differences from Eastern Standard Time. When calling interstate, the interviewer made the point of informing the respondent the call was from Tasmania, meaning that it was a long distance call because this can tend to increase the perceived importance of the study (Dillman 1978). In addition, the seaport managers were not initially contacted before 9:30 in the morning to give them time to deal with the early morning correspondence and thus reduce the chances of them being uncooperative (Lavrakas 1993).

After the introductory details, including a reference to the advance letter and asking if it had been received (De Vaus 1995; Lavrakas 1993), the confirmatory telephone interview (see Appendix F) reiterated the purpose of study and the value of the respondent’s contribution to the study. The introductory comments were kept as brief as possible because ‘the longer the introduction, the more a potential respondent must

listen without active involvement, the greater the chance of losing interest before questioning begins' (Lavrakas 1993: 100). The introduction during a telephone interview is considered by Dillman (1978: 242) to be the most critical because during this stage termination is more likely to occur suggesting that 'it is difficult to overestimate the importance of the introduction'.

To provide ease of use, the second page of the confirmatory telephone interview schedule was divided into two columns, one column to be used for a positive response to the study by the respondent, and the second if the respondent elected not to participate. In the case of the latter, the respondent was asked if someone else in the seaport could be interviewed, if this was also rejected an attempt to ask three "quick" questions was made to gain some detail on marketing conducted by the seaport. Respondents were then thanked for their time.

Respondents who agreed to participate were first asked to confirm their job position and if they were responsible for the marketing of the seaport or if another person or another seaport would be more appropriate. Respondents were then given an option of continuing with the interview or providing an alternative time for a call back, this date and time were recorded on the call sheet. Care had to be taken when the respondent was in a different time zone from the interviewer that the respondents' appointment was recorded in their local time as well as the interviewer's local time to reduce confusion.

A list of anticipated fallback questions was developed should a respondent query details about the census. The questions identified issues about the interview in general and the respondent's role in the interview as shown in Table 7.4. In addition, if the respondent wished to speak to someone else from either AMC or the University of Tasmania to

authenticate the research, the contact details of the AMC Faculty Director and the researcher's supervisor at the University of Tasmania would be made available.

Table 7.4: Anticipated fallback questions

Questions about the interview in general	Questions about the respondent's role in the interview
<ul style="list-style-type: none"> • Who is sponsoring the study? • What is the purpose of the study? • Who is responsible for conducting the interview? • How will the study's findings be used? • Can I get a copy of the results of the study? 	<ul style="list-style-type: none"> • How did you get my name? • Why don't you interview someone else in the seaport? • How can I be sure this is authentic? • Are my responses treated confidentially?

Source: adapted from Dillman (1978), Frey and Oishi (1995) and Lavrakas (1993).

7.5.3 Conducting the telephone interview

In accordance with recommendations of Lavrakas (1993), the introduction to the interview was kept as brief as possible whilst still establishing the credibility of the research and interviewer, the purpose and population of the research, and the incentive of receiving a summary report of the findings. As an advance letter and previous telephone contact had previously been made, there was little need to provide further details. Brevity is important during this stage of the interview because by decreasing the respondent's listening time and increasing their 'active involvement', the chances of a refusal are reduced (Lavrakas 1993: 100).

After the initial introductory comments, respondents were asked permission to tape the interview. Whereas this could be achieved without their knowledge, ethically it was inappropriate. If the request was refused, there was an instruction to the interviewer to stress to the respondent the importance of taping in terms of recording accurate responses rather than risk memory recall. In addition, the instructions reminded the interviewer to repeat the confidentiality provisions of the research in attempts to

alleviate concerns about taping the interview. The question asking permission to tape the interview served as the easy closed question suggested by Conklin (1999) followed by an open-ended question asking respondents to explain their marketing responsibilities (Item A1).

7.6 ERROR CONTROL PROCESS

Lavrakas (1993) explains there are four major contributors to total survey error - sampling error, coverage error, nonresponse error, and measurement error. Of the four potential survey errors, sampling error was not relevant to the current research because the entire population was being surveyed and thus is not discussed further. In terms of minimising coverage error, attempts were made to ensure coverage of the population were as complete as possible. Besides working through available lists and websites of Australian seaports as discussed earlier, respondents were asked during the telephone interview if they knew of any other commercial seaports in their State/Territory (Appendix B - Item R.4). These were checked off against the researcher's list for completeness. As all available hardcopy and online databases and lists were consulted, this discussion with respondents provided confirmatory evidence of the population because it is argued that senior managers in the seaport industry would be aware of other seaports operating in their State/Territory as they represent potential competition. The two remaining potential survey errors - nonresponse error and measurement error, provide a number of challenges to the research and thus are discussed separately below.

7.6.1 Nonresponse error

In terms of nonresponse error, this could first occur during the confirmatory telephone questionnaire if the telephone numbers from databases were incorrect or the researcher

had made transpositional errors. The possibility of staff turnover or the potential respondent being on leave may also have contributed to nonresponse error. Errors of this kind would be recorded on the call sheet and investigated. To ensure respondents were the most appropriate persons for the interview, three questions, depending on their responses, were included on the confirmatory telephone questionnaire - (1) requesting a confirmation of job title; (2) checking if another seaport or port authority has any control over marketing; and (3) confirming the respondent is responsible for marketing, and if a negative reply, requesting the name of the relevant person. In the event of any nonresponses, they would be to ensure a particular category of seaport had not been under-represented thus potentially biasing the study (Dillman 1978; Frey and Oishi 1995; Lavrakas 1993).

Lavrakas (1993) refers to the challenges of physical factors and social factors when conducting research by telephone that may impact on nonresponse error. Physical factors that may increase nonresponse error, such as respondents not having a telephone, or modems using the telephone line and poor connections, often relate to populations of the general public and were not as applicable to this particular corporate population. However, a preference was given to contacting respondents on their office numbers rather than mobile telephone numbers to decrease the likelihood of background noise if the respondent was in the operational area of the seaport, and to guard against signal dropout. The social factors discussed by Lavrakas (1993) refers to the hearing problems of the elderly, unanswered calls, answering machines being used to screen calls, all increasing nonresponse error, however it was not anticipated these would be an issue when dealing with respondents from commercial entities. However, as it was expected the seaport managers would have their own personal assistants who initially answer the telephone, a potential source of nonresponse could occur if that person acts

as a gatekeeper restricting access to the seaport manager. This was unlikely unless the seaport manager after receiving the advance letter gives instructions that he/she does not wish to speak with the interviewer.

In a study of reasons used by respondents refusing to participate in a telephone interview, Lavrakas, Merkle and Bauman (1992) found that 40.00 per cent indicated they were not interested in the survey, ten per cent hang up the phone without responding, 20.00 per cent did not have the time. A further ten per cent replied that they did not participate in surveys and the remaining 20.00 per cent provided varying reasons. In considering these reasons for nonresponse, the topic of the census was likely to have at least some interest to the potential respondents. In addition, it was not be expected that someone from a seaport or any other business would hang up the telephone without making at least some response. Potential reasons for nonresponse however could be that they did not have the time or that they did not participate in surveys.

As discussed earlier, the purpose of using an advance letter and checking with the potential respondent during the confirmatory telephone call for a convenient time to call back, as well as asking at the beginning of the telephone interview if the timing was still convenient, were all conducted to reduce the chance of refusal (Lavrakas 1993). When dealing with an elite group such as CEOs and senior management, a flexible approach was necessary in appreciation of their busy schedules, thus researchers should work in with the respondent's schedule rather than vice versa, for example, potential respondents were not initially contacted before 9:30 in the morning. To discourage potential respondents from replying that they do not participate in surveys, the advance letter explained the importance of the survey and the valuable contribution of the

respondent. Whereas nonresponse on mail surveys can be time consuming due to follow up mailings after a reasonable reply period, this was known immediately in telephone interviews.

7.6.2 Measurement error

Lavrakas (1993) raises a number of errors that contribute to measurement error ranging from errors associated with the format of the instrument and the delivery of the interview, each of which are discussed below.

7.6.2.1 Reducing errors due to the format of the instrument

Mail surveys in particular fall victim to item nonresponse because the interviewer is not present to ensure completion. As the interviewer was guiding the respondent through a telephone interview, item nonresponse was less likely unless the respondent does not know the answer or decides not to reply for reasons such as confidentiality or other sensitivities (Dillman 1978; Lavrakas 1993). Although Lavrakas (1993) suggests there is a tendency for responses to open-ended questions to be shorter in telephone interviews, the interviewer was able to use probing techniques where necessary to gain further detail and may find that respondents answer sensitive questions due to the anonymity offered by a telephone interview (Alreck and Settle 1995; Cannell 1985b; Dillman 1978; Zikmund 2000).

As the telephone interview instrument contains Likert scale and ranking questions, response cards (Appendix D) enclosed with the advance letter (Appendix E) were used to reduce memory recall error. This was also seen as an effective means of overcoming the disadvantage of telephone interviews not being able to administer complicated questions or provide visual cues (Cannell 1985b; Lavrakas 1993).

Particular attention was given to the wording and ordering of questions in the instrument. As some of the pretest sample were representative of the population's employment position, the researcher requested that attention be given to possible ambiguity and terminology and use of appropriate language (see Appendix G). Awareness of the possibility of question order bias answers was also considered, and after pretesting, the order of two questions was changed to reduce question order bias.

7.6.2.2 Reducing errors due to the delivery of the instrument

As interviewing has the inherent disadvantage of human error in writing responses, all interviews were tape recorded, provided permission was gained from the respondent, to reduce error (Frey and Oishi 1995). In addition, immediately after completing the interviews the interviewer worked back through the instrument checking for potential errors and incomplete sections. All interviews were transcribed during which time checks were made against the tape recorded responses.

As alluded to earlier, the duration of a telephone interview is not usually the reason for total nonresponse or item nonresponse. If total nonresponse is to occur for a telephone interview, it is more likely to occur immediately or within the first one to two minutes. As respondent and interviewer fatigue is a possibility, it is still necessary, as Lavrakas (1993: 131) recommends, to 'retain control of the pace and flow of the survey' to successfully complete the interview. As a result of input from pretesting, the respondent was informed at least twice during the interview, usually at the beginning of Sections M and S of the census instrument, that there was not long remaining or that the interview was nearly complete as a means of reducing the likelihood of early termination and to reduce respondent fatigue.

Care was taken during the telephone interview (and taken note of during pretests) to clearly pronounce questions. Whereas some respondents may request interviewers to repeat a question, others may not, thus potentially increasing unconscious misrepresentation bias by making an inaccurate response (Zikmund 2000). As a telephone interview requires two-way communication, the interviewer was also aware of the benefits of building in verbal feedback for the respondent. To encourage the respondent during the interview, given there are no visible non-verbal actions or other means than voice, the interview used responses such as “I see”, “hmmm”, “uh-huh” to indicate the interviewer was being attentive and that communication was occurring (Cannell 1985b). These were used in attempts to offset the psychological differences of telephone interviews (Alreck and Settle 1995). For example, during a face-to-face interview respondents receive non-verbal feedback via facial expressions and body language, how the interviewer is dressed, as well as verbal feedback that can all introduce interviewer error (Alreck and Settle 1995; Frey and Oishi 1995). In a telephone interview only verbal feedback is available. However, a warning from Lavrakas (1993: 131) was heeded by the interviewer not to become an ‘on the phone therapist’ by engaging in a discussion of personal opinions as this can introduce interviewer bias (Zikmund 2000). Therefore, the interviewer had to be aware of not being overly enthusiastic or too detached (Lavrakas 1993).

Due to the interviewer’s presence and institution being represented, even if only by telephone, social desirable bias, acquiescence bias and auspices bias can still occur (Alreck and Settle 1995; Dillman 1978; Frey and Oishi 1995; Zikmund 2000). As an elite group was being interviewed that may have at least some knowledge of marketing issues, it was not anticipated that these sources of bias would be of concern because managers are more likely to provide their personal opinions rather than agreeing with

the respondent (Converse and Presser 1986). Similarly it was not expected that extremity bias or deliberate falsification of responses would occur (Alreck and Settle 1995; Zikmund 2000). Although all researchers face the possibility of a respondent providing inaccurate information, Lavrakas (1993: 13) found that in telephone interviews, 'most respondents will provide reasonably accurate information'.

7.7 SUMMARY

This chapter has detailed the research design used to collect primary data from the relevant managers within Australian seaports to address the primary and two secondary research questions of the study. The generation of the population consisting of 30 seaports (that is, mainports) and thus 30 specific seaport managers was explained and justification provided for using a telephone interview as the census instrument. A two-stage pretest was used to assess both the internal mechanics of the interview schedule and the interview manner of the researcher. Pretesting also considered the advance letter and confirmatory telephone interview that were used as a means of increasing total response to the census. Other techniques for increasing total response and item response, and reducing total survey error in terms of sampling error, coverage error, nonresponse error and measurement error were also examined. Initial analysis of the data collected as a result of the above research design is presented in the next chapter.

CHAPTER EIGHT

SEAPORT AND RESPONDENT PROFILES

8.1 INTRODUCTION

This chapter reports on response rates and other administrative details of the census as well as providing an in-depth profile of the seaports and respondents. Seaports are profiled demographically in terms of total trade throughput in tonnes, number of TEUs and visiting trading vessels, employee numbers, total gross revenue, and total assets. In addition, the seaports are examined in relation to their ownership, management and services offered. This profile of seaports is reported to initially provide an overview of this industry sector and then as potential key variables for segmenting the seaports for further analysis. In relation to the profiling of respondents, the purpose is to ascertain whether they are qualified to discuss marketing issues at a senior level within the seaport, thus their job title and tenure, line of reporting, and educational background are discussed.

8.2 CENSUS RESPONSE RATE

A 100 per cent response rate was achieved during primary data collection thus giving credence to the census nature of this study. That is, respondents from all 30 Australian commercial seaports identified in Appendix A participated in the study. A number of factors potentially contributed to the high response rate. The decision to use telephone interviews in place of mail questionnaires was validated when comments were made by respondents that they are receiving too many mail questionnaires but were happy to talk over the telephone. For example, one respondent commented:

We are getting inundated with these bloody surveys, I am getting sick of it and tell them I haven't got the time, not that we don't want to support these things. ... Did you design the questionnaire yourself? [Yes] Because some of the crap we get from marketers, they don't even know what they are bloody talking about.

- CEO, Seaport #7

After some prompting, this respondent went on to participate for 90 minutes.

The major challenge however, but one that contributed to the high response rate, was the number of attempted contacts made to attain the confirmatory telephone interviews. In some cases, respondents were contacted up to 16 times because they were unable to take the call due to being in meetings, taking another telephone call, being away from the office (including being in the operational areas of the seaport, or interstate, or overseas), or on leave. A message was left with each respondent's personal assistant to be forwarded to the respondent explaining the purpose of the call, linking the call to the advance letter and notifying that the researcher would call back. When liaising with the personal assistant the researcher also enquired about the most suitable days and times to call the respondent and if there was the possibility of organising a teleconference time slot. It is worth noting the extremely busy workloads of the respondents, for example, at times there were no available slots in their schedule for up to two weeks. As discussed in Chapter Seven, leaving a message rather than requesting the seaport manager to return the call was an attempt to minimise any direct monetary costs to respondents (Dillman 1978). An unexpected positive result of the number of call-backs was that some respondents became apologetic for not being readily available, and it is possible that this increased the likelihood of them participating in the interview.

The use of the advance letter appears to have also assisted in attaining a high response rate. Using an advance letter resulted in the majority of respondents expecting the telephone call, thus avoiding the difficulties associated with "cold-calling". It appears the majority of respondents had already determined they would participate in the interview prior to receiving the confirmatory telephone call. For example, respondents commented:

I am glad you have taken an interest in us because we are a very small and distant port.

- CEO, Seaport #14

This type of study is probably long overdue

- CEO, Seaport #1

I think your study is a good exercise to raise the awareness about marketing; I look forward to seeing the results.

- Marketing Manager, Seaport #2

Eight changes were made to the original list of potential respondents. In two cases the CEO being contacted had recently resigned, and in the other six seaports, the five CEOs and one general manager suggested during the confirmatory telephone interview that another senior manager at the seaport be contacted who would be more appropriate given his/her marketing responsibilities. In general, the alternative respondents held positions similar to that of a trade development manager. Each of the eight alternative respondents was sent a personally addressed copy of the advance letter and response cards before making the confirmatory telephone interview. It is of note that secondary data, including information on the seaports' websites, did not clearly indicate the alternative respondents as the appropriate contact for discussing seaport marketing issues. Potentially this raises a concern about how prospective customers determine the person to contact in seaports for marketing issues. In addition, the websites, which arguably contain the most up to date information, did not indicate in the two above cases that the CEO had resigned or that a new CEO had been appointed. It appears that some websites are not being used to notify customers and stakeholders of recent changes to the seaport, for example, it could be expected that changes to the senior management structure would be noted on a seaport's website, even if in relation to announcing the new CEO.

The average duration of the in-depth interviews was 61.63 minutes with a range of 45 to 105 minutes. Although four of the respondents initially indicated they were too busy, or

considered they would have little to contribute to the study, once the interview began all respondents freely provided their time. There were no early terminations of the interviews by respondents and only two respondents asked during the interview how much time was remaining; however, in each case this occurred after the 35 minute mark. This corresponds with the finding of researchers (as discussed in Chapter Seven) that once started, telephone interviews tend to be completed, particularly if the issues are pertinent or of interest, and that interviews of around 50 minutes are possible (Frey and Oishi 1995).

Item nonresponse was negligible because the interviewer was able to ensure all questions were addressed and where necessary used probing techniques to elicit a response. Where item nonresponse occurred, it tended to be either because the respondent did not know because it was not his/her area of responsibility (as in questions related to seaport charges in Section G of the census instrument), or because trade figures were not finalised. Respondents from two seaports regarded trade figures such as seaport revenue, throughput in tonnes, and total assets as being of a commercially sensitive nature and initially were not prepared to answer the questions. However, with some prompting, the respondents provided a broad-banded answer that fitted the categorised responses. The “Unsure” category was used when respondents indicated they did not know the answers to Likert questions. Some respondents explained that where they both agreed and disagreed with statements, the “Unsure” category was also used. For example, respondents from seaports operating multiple subports found they agreed to the statement for some subports but not for others. In these situations, the researcher recorded these additional comments to assist where necessary with analysis. Respondents tended to find answering Items R.1 to R.3, which related to identifying the five best marketed Australian seaports, the most challenging.

Only 33.33 per cent of respondents listed five seaports and 23.33 per cent did not identify any seaports. Further explanation of Section R questions is discussed in Chapter Nine.

8.3 SEAPORT PROFILES

As explained in Chapter Seven, the seaports included in the census are the commercial seaports of Australia chosen for investigation because of their diversity, competitive nature, and possible predisposition to marketing. The profile of Australian seaports in this study is characterised by location, general activities, management, operations, and trade and financial data. These characteristics, which are discussed below, appear to be the major attributes on which to differentiate Australian seaports to enable stratification during analysis.

8.3.1 Seaport location and activity

In terms of the 30 mainports, which are primarily port authorities, over half of the seaports in the census (56.67%) are located in Western Australia and Queensland, with the Northern Territory and South Australia containing one mainport each (see Table 8.1). Table 8.1 also indicates there are a total of 54 mainports and subports in Australia excluding the seven non-commercial subports (as shown in Appendix A). When subports are included the proportion of State/Territory-based seaports vary, resulting in Tasmania and Queensland containing over half of the total (51.85%). However, many of the subports tended to be minor in terms of revenue and trade throughput, with some handling less than ten small vessels per year. Respondents explained that some subports are little more than jetties receiving cargo for the local community.

Table 8.1: Seaports categorised by location and type

Australian State or Territory	Capital City	Regional	Dedicated	No. of mainports	%	No. of subports & mainports	%
NSW	1	2	1	4	13.33	5	9.26
NT	1	-	-	1	3.33	1	1.85
QLD	1	2	5	8	26.67	17	31.48
SA	1	-	-	1	3.33	7	12.96
TAS	1	3	-	4	13.33	11	20.37
VIC	1	1	1	3	10.00	4	7.41
WA	1	4	4	9	30.00	9	16.67
Total	7	12	11	30	100%	54	100%
%	23.34%	40.00%	36.67%	100%			

Source: Appendix A, Appendix H - Item S.4
Percentages may not add to 100 due to rounding

Of the 30 seaports, seven are described as being capital city seaports although of these, the seaports of Melbourne, Sydney, Brisbane, Fremantle and Adelaide (Flinders Ports) are commonly referred to in industry publications such as *Lloyd's List Daily Commercial News*, *Waterline* and government reports as being Australia's major seaports. When trade and financial details are considered later in this chapter, it could be argued that the capital city seaports in Tasmania and the Northern Territory be categorised as regional seaports. This will be further discussed in the current and following chapters. In a report on Australian port authority services and activities, the Industry Commission (1993) classifies seaports into integrated, regional, dedicated and community seaports. These classifications are not appropriate for the current study due to the Industry Commission's (1993) inclusion of subports that makes it difficult to classify the mainports. In addition, due to the diversification strategies undertaken by seaports since the publication of the report and during the last few years in particular, many of the seaports in the census could now be classed as integrated seaports. That is, the report's definition of integrated seaports includes those providing facilities for container, bulk, and breakbulk cargoes as well as for passenger and recreational vessels. For example, 70.00 per cent of seaports in the current census handle containers, albeit

that ten handled less than 10,000 TEUs per year including five seaports handling less than 1,000 (Item S.7)⁸.

It is worth noting that of the 30 seaports, only four claimed their number one activity was handling containers (Item S.4). Almost all seaports (96.67 per cent) reported the handling of bulk cargoes (dry and/or liquid) as a major activity. Handling breakbulk cargo (56.67 per cent) and liquid bulk (50.00 per cent) also figured as major activities. Although seven respondents indicated their seaport has one major activity, which in each case was dry bulk, they explained that a broad number of activities were undertaken including diversification into the container markets. In addition, 90.00 per cent of seaports had naval vessel visits and 63.33 per cent of seaports had visits from cruise ships of generally two to eight per year, although three seaports stand out with 31, 28 and 16 visits (Item S.5). In relation to cruise ship visits, care needs to be taken with the figures because the definition of what constitutes a cruise ship tends to vary.

Seaports are increasingly generating revenue from what would have been considered a number of years ago as non core business activities such as ownership of an airport, property management, rentals, leasing and tourism. For example, 27.9 per cent of Seaport #30's revenue was from property management whilst it was 30.00 per cent for Seaport #16. One CEO also reported:

We are generating as much from our land-based development activity as from our port activities as in cargo related activity and it is less risky and more secure.

CEO, Seaport #1

8

Within this chapter, statistical data related to items from the census instrument are shown in Appendix H.

It appears from the definitions of the Industry Commission (1993), the vast majority of seaports could now be classified as being integrated seaports, thus reducing the value of the categorisation for analysing differences between seaports.

In attempts to provide a more meaningful stratification, seaports in the current study were classified as being capital city seaports, dedicated seaports and regional seaports. Definitions of the latter two were adapted from the Industry Commission's (1993) report. Capital city seaports as the term suggests, are seaports based within the capital city of each State/Territory. As per the Industry Commission's (1993) definition, dedicated seaports primarily provide bulk commodity operations and little other general cargo facilities servicing the community or industrial development. Regional seaports are those servicing major regional areas and although being dominated by bulk trade, provide some level of breakbulk and container cargo handling in addition to tourism and recreation facilities. As shown in Table 8.1, 23.34 per cent of seaports were capital city seaports, 40.00 per cent were categorised as regional, and 36.67 per cent as dedicated seaports.

8.3.2 Seaport ownership, management and operations

Of Australia's commercial seaports, 83.33 per cent were some form of government owned corporation, one a statutory authority and four described themselves as being privately operated seaports, including one as an unincorporated joint venture (Table 8.2). Within the government owned corporations were seaports that have evolved from being fully publicly owned to now being corporatised. Many of the respondents of these seaports quickly pointed out that although being government owned, they were a fully commercially business receiving no funding from the government. Two CEOs further clarified that they and their staff were not public servants. Flinders Ports Pty Ltd

is an example of an Australian seaport that was previously government owned and operated by the South Australian Ports Corporation that has since become privatised.

Table 8.2: Seaport management and operations

Criterion	Category	Number	%
Ownership	Govt owned corporation	25	83.33
	Privately operated	3	10.00
	Statutory authority	1	3.33
	Unincorporated joint venture	1	3.33
Management	Landlord	9	30.00
	Port operator	4	13.33
	Port owner/operator	10	33.33
	Strategic port manager	7	23.34
Major activities	Container	4	13.33
	Bulk - dry	23	76.67
	Bulk - liquid	3	10.00

Source: Appendix H - Items S.2-S.4

Table 8.3 shows the various titles of the seaports in the census; the majority of which are either port authorities or corporations. Comparisons with Table 8.4 show an interesting shift in the titles of seaports over the last decade. Table 8.4 shows that 80.77 per cent of seaports (mainports) in Australia in 1993 were titled port authorities and 3.85 per cent as a corporation, compared to 46.67 and 36.67 per cent respectively a decade later. Analysing seaports on the basis of their nomenclature may provide further insights into the role of marketing, for example, as reported in Chapter Three, corporatisation generally brings with it a greater business and customer focus.

Respondents were asked to describe the management of the seaport in terms of being a landlord seaport, seaport operator, seaport owner/operator, or if there was a more appropriate term (Appendix B - Item S.3). Almost one third indicated they operated as a landlord and another one third as a seaport owner/operator (Table 8.2). Of the remaining respondents, 23.34 per cent viewed their seaport as being a strategic seaport manager. This term is defined in the Industry Commission's (1993) report as being a

combination of both the landlord and trade facilitator models, or as explained by Hirst (2000), there is a greater focus on providing transport solutions and improved services (as discussed in Chapter Three). Respondents further explained:

Our role is very much facilitating and smoothing, making sure everything works well. We are a strategic port manager, facilitating at the strategic level.

- CEO, Seaport #24

A strategic port manager differs from a landlord because we do some services like line handling, and we have a closer relationship with our customers, yes there are elements of a landlord but there are also elements of a port manager as well.

- CEO, Seaport #25

Table 8.3: Titles of commercial Australian seaports (2003)

State	Port Authority (PA)	Port Corporation	Private	Govt department	No.
NSW		Port Kembla Port Corp Sydney Ports Corp Newcastle Port Corp		Waterways Auth of NSW	4
NT		Darwin Port Corp			1
QLD	Bundaberg PA Gladstone PA Rockhampton PA Cairns PA Townsville PA Mackay PA	Ports Corp of QLD Port of Brisbane Corp			8
SA			Flinders Ports P/L		1
TAS		Burnie Port Corp Port of Devonport Corp Port of Launceston P/L Hobart Ports Corp P/L			4
VIC		Melbourne Port Corp	Toll Geelong Port P/L Port of Portland P/L		3
WA	Geraldton PA Broome PA Bunbury PA Esperance PA Port Hedland PA Dampier PA Fremantle PA Albany PA		Port Walcott		9
Total	14	11	4	1	30
%	46.67%	36.67%	13.33%	3.33%	

Source: Seaport websites, annual reports and brochures

Corp = Corporation; P/L = Pty Ltd; Auth = Authority

Table 8.4: Titles of commercial Australian seaports (1993)

State	Port Authority (PA)	Port Corporation	Private	Govt department	No.
NSW	MSB Sydney PA MSB Hunter PA Illawarra PA				3
NT	Darwin PA				1
QLD	Gladstone PA Rockhampton PA Cairns PA Townsville PA Mackay PA Brisbane PA	Harbours Corp of QLD			7
SA		BHP Pty Ltd		SA Dept Marine and Harbours	2
TAS	Port of Launceston Authority Burnie PA Port of Devonport Authority			Marine Board of Hobart	4
VIC	Port of Melbourne Authority Port of Geelong Authority Port of Portland Authority				3
WA	Bunbury PA Port Hedland PA Dampier PA Fremantle PA Albany PA		Port Walcott		6
Total	21	1	2	2	26
%	80.77%	3.85%	7.69%	7.69%	100%

Source: Industry Commission (1993)

Corp = Corporation

Similarly, another respondent saw the role of a strategic port manager as:

...one that wants to engage not only customers but also the community in steering the direction of the port. We are still a landlord port but not in the strict interpretation of the previous government and CEO used to adopt. We are really a strategic port manager. The difference is because we concentrate on the triple bottom line approach.

- Senior Manager, Seaport #29

Not all were content with remaining as a landlord seaport, one recently appointed CEO complained:

The previous government's vision of ports was the landlord model where all ports were a landlord that rent the land and coordinate activities but didn't provide much services I really don't like it much... there is a counter view that you can make good money out of stevedoring and building shiploaders and conveyors and I know ports that do that, but we have gone so far down this track that it will take a long time to reverse that and be able to access capital to do that.

- CEO, Seaport #28

Similarly, other respondents expressed dissatisfaction with the landlord model and that it was no longer suitable:

Our intention is to get more involved than a landlord, we want to get involved with the commercial reasons for working with the port. Our brochure even states "We will not restrict ourselves to the function of a landlord port, we will concern ourselves with the entire chain of port logistics activities.

- Senior Manager, Seaport #17

The port historically has been one of a landlord stitching up very long leases and has missed a lot of passing revenue. I would like to think we are moving towards operating the port and moving away from being a landlord.

- Marketing Manager, Seaport #11

Seaport management models may provide a useful means of analysing seaports' approaches to marketing. It could be argued that seaports with a greater focus on trade facilitation may be proactively attracting and retaining customers to increase trade throughput.

8.3.3 Seaport trade and financial data

The most common seaport in the census tended to be a government owned corporation working either as a landlord port authority or port owner/operator handling primarily bulk commodities (Tables 8.2 and 3.3). The average throughput per annum in tonnes was 21,462,527 tonnes with 127,355 TEUs for a gross revenue of \$54,579,567 and total assets of over \$183 million (Table 8.5). The most common seaport also had 99 employees and 810 trading vessels visited during the year. However, to understand the diversity of commercial Australian seaports requires an examination of the range of the data in Table 8.5. For example, trade throughput varied from 167,000 tonnes to almost 100 million tonnes, gross revenue from \$1 million to \$108 million and total seaport assets valued from \$3.9 million to \$912 million (Table 8.5). Similar extremes can be found for the other data also shown in Table 8.5. It appears then that a clear picture of Australian seaports can not be determined by calculating the average seaport due to

such variances. However, what it does indicate is that even the smaller seaports are substantial businesses each with a potential impact on their surrounding communities.

Table 8.5: Seaport trade and financial data

Criterion	Category	Mean	Range	No.	%
Trade throughput		21,462,527 tonnes	167,000 to 99.2M		
	Small 0-1M tonnes			5	16.67
	Medium 2-50M tonnes			20	66.67
	Large 51M+ tonnes			5	16.67
Gross Revenue		\$54,579,567	\$1M to \$108M		
	Small \$1-10M			7	23.33
	Medium \$11-100M			20	66.67
	Large \$101M+			3	10.00
Total assets		\$183,157,068	\$3.9M to 912M		
	Small \$1-50M			10	33.33
	Medium \$51-300M			14	46.67
	Large \$301M+			6	20.00
TEUs		127,355 TEU	Nil to 1.42M		
	Small Nil			9	30.00
	Small 1-10,000			10	33.33
	Medium 10,000-200,000			7	23.33
	Large 200,000+			4	13.33
Employees		99.10	4 to 850		
	Small 1-20			9	30.00
	Medium 21-100			14	46.67
	Large 101+			7	23.33
Trading vessels		810	33 to 3019		
	Small 1-100			4	13.33
	Medium 101-500			9	30.00
	Large 501+			17	56.67

Source: Appendix H - Items S.6-S.8, S.10-S.12

May not add to 100% due to rounding

M = million

To simplify discussion and determine useful classifications of seaports for analysis, seaports were divided into small, medium and large seaports based on three trade and financial measures as shown in Table 8.5:

1. trade throughput in tonnes;
2. gross revenue in dollars; and
3. total asset value in dollars.

These three criteria were chosen because it could be argued that large seaports may be characterised as being high on each of these variables. The three other variables shown

in Table 8.5 were not used because they were not as comparable, for example, all seaports did not handle containers, the number of trading vessels did not take into account the tonnage transported on those vessels. In terms of full-time employee numbers, many seaports had outsourced this resource by utilising casual employment, or private operators within seaports now employ, those once hired by the seaport notably the stevedores. Thirty per cent of seaports now employed less than 20 full-time employees, including four seaports employing between four and eight people; although still generating revenue of between one and four million dollars (Items S.10 and S.11).

Table 8.6 presents a categorisation of seaports by the three operational and financial measures discussed above.

Table 8.6: Australian seaports categorised by trade throughput tonnes, gross revenue and total assets

State	Small	Medium	Large	Total
NSW	Waterways Authority of NSW	Newcastle Port Corporation Port Kembla Port Corporation	Sydney Ports Corporation	4
NT		Darwin Port Corporation		1
QLD	Bundaberg Port Authority Rockhampton Port Authority	Cairns Port Authority Mackay Port Authority Townsville Port Authority	Gladstone Port Authority Ports Corporation of Queensland Port of Brisbane Corporation	7
SA		Flinders Ports P/L		1
TAS	Port of Launceston P/L	Burnie Port Corporation Port of Devonport Corporation Hobart Ports Corporation P/L		4
VIC		Toll Geelong Port P/L Port of Portland P/L	Melbourne Port Corporation	3
WA	Broome Port Authority Albany Port Authority Dampier Port Authority	Geraldton Port Authority Bunbury Port Authority Esperance Port Authority Port Hedland Port Authority Fremantle Port Authority	Port Walcott	9
Total	7	17	6	30
%	23.33%	56.67%	20.00%	100%

Source: based on data from Table 8.5
P/L= Pty Ltd

It is of note that of the seven capital seaports, only three are characterised as being large and Queensland is the only State/Territory to have multiple numbers of large seaports. Although it could be argued that total trade throughput in dollar terms be included because the handling of more cost intensive commodities requires additional infrastructure, it is anticipated that additional infrastructure costs may be reflected in the dollar value of total assets. This in turn may offset the high volume bulk seaports that may not have diverse infrastructure. It was also recognised that using the total asset value may create bias towards seaports situated near suburbia due to the potentially higher seaport land value, however upon examining Items S.6 and S.11, these seaports also tended to be placed high in relation to total trade throughput and total gross revenue. It appears that the categorisation used in Table 8.6 may be useful in further analysing the seaports in terms of their marketing activities.

8.3.4 Summary of the profile of Australian seaports

As a whole, the seaport profile of the census is characterised by a widespread geographic location in every Australian State/Territory (with the exception of the Australian Capital Territory that has no seaports), a range of ownership and management structures, and an assortment of small through to large sized seaports based on a variety of trade and financial data. It is apparent that determining a useful means of categorisation is difficult due to their diversity. However, undertaking such a profiling exercise may present a clearer understanding of the Australian seaport sector and indicate that a number of changes are apparent since previous studies were undertaken. These changes, such as increased corporatisation, interest in trade facilitation, as well as a broader range of services being offered, support the arguments in earlier chapters of a more competitive environment for seaports and hence one that is more likely to benefit from applying services marketing strategies.

8.4 RESPONDENT PROFILES

The 30 respondents were profiled in relation to their job position, including their level of seniority in terms of who they reported to within the seaport, the number of years of experience as the person responsible for marketing at the seaport, and their educational background. These attributes were investigated to determine whether the respondents were qualified in relation to their knowledge about marketing and Australian seaports in general; and hence whether they were reliable informants capable of commenting on the census items.

8.4.1 Respondents' job positions

All of the respondents were in senior positions within the seaport (see Table 8.7) reporting directly to either the CEO and/or the board of directors, or to their general manager who then reported to the CEO.

Table 8.7: Respondents' characteristics

Criterion	Category	Mean (yrs)	Range (yrs)	No.	%
Seniority	Report to CEO/Board			25	83.33
	Report to another manager			5	16.67
Experience	Years in marketing	5.87	04-18		
Business Qualifications	Yes			21	70.00
	business qualification			9	30.00
Highest	None			9	30.00
	Degree			11	36.67
	Postgraduate			10	33.33

Source: Appendix H - Items A.2-A.5

Only one respondent in a large diversified company, which incorporated a seaport, was twice removed from the CEO in that he first reported to a commercial manager who reported to the general manager who then reported to the CEO. However, in terms of

the seaport business, the respondent was in a senior level position. In other words, all respondents were senior managers within a seaport indicating sufficient opportunity for the respondents to have direct communication with the CEO and/or board of directors and with other senior managers in the seaport both formally and informally. Although not directly asked during the interview, it was found that 86.67 per cent of respondents were male. Of the four female managers, one held the position of CEO, and the remainder were in senior corporate communication roles. Currently within Australian seaports just one of the 30 CEOs are female.

As shown in Table 8.8, 50.00 per cent of respondents were CEOs, 26.67 per cent were marketing managers, 16.67 per cent were the equivalent of a trade development manager, and the remaining 6.67 per cent were a finance manager and a ports and projects manager.

Table 8.8: Respondents' job titles

Position Category	No.	15%	Position sub-categories	No.
CEO	15	50.00	CEO	12
Marketing Manager	8	26.67	Chief Executive	3
			Marketing Manager	4
			GM - Marketing and Strategic Development	1
			Senior Manager Corporate Relations	1
			Marketing and Communications Manager	1
Trade Development Manager	5	16.67	Manager - Corporate Communications and Public Relations	1
			Trade Development Manager	2
			GM - Shipping and Logistics	1
Other Senior Managers	2	6.67	Shipping Services Manager	1
			GM - Commercial	1
			Finance Manager	1
			Projects Manager	1
			Ports and	1
TOTAL	30	100.00%		30

Source: Seaport annual reports and websites; verified during confirmatory telephone interviews
GM = General Manager

Table 8.8 also indicates the variety in titles within each of these broad categories. There appears to be many similar marketing responsibilities between the trade development managers and marketing managers even though they have different titles. Other respondents were quick to point out that their role was purely promotions and public relations focused and were not involved in any marketing activities outside this area, including liaising with customers, which was reflected in the title of one respondent titled the Manager - Corporate Communications and Public Relations. In this seaport, the marketing activities had been split between two divisions, 'Corporate Communications and Public Relations' and 'Commerce and Logistics'. The former undertook the promotion mix activities, whilst the latter managed much of the remainder in marketing including liaising with customers and managing those relationships. As has been the practice thus far, the remainder of this thesis, when providing qualitative comments of respondents, the titles of CEO, marketing manager, or senior manager (including those in trade development and other senior manager categories) are used in conjunction with a seaport code to assist with confidentiality of respondents.

It is unclear whether the marketing manager title is emerging as a new position in seaports or whether the marketing role is being subsumed within that of the trade development manager. However, it is possible that when seaports first begin marketing it falls within the responsibility of the CEO or trade development manager, and then as marketing efforts increase, a full-time marketing position is created. This possibility was partially supported by six respondents that explained they were the first to hold such a marketing-related position at their seaport, that is, they had been recruited for the specific purpose of increasing trade via marketing efforts. Before their appointment the seaports were not involved in marketing. It is possible that the nomenclature may be

dependent on the size of the seaport in terms of the trade and financial data shown in Table 8.5 and therefore the number of employees. For example, seaports with a marketing manager or trade development manager with marketing responsibilities (with the exception of Seaport #11 which is a dedicated bulk seaport), had more than 40 full-time employees. Other seaports with over 40 full-time employees, all had another senior manager with responsibility for marketing with the exception of three seaports where the CEO undertakes this role. Of these three seaports, the CEO of Seaport #20's plan was to employ a person to undertake marketing while the CEO of Seaport #25 took on the marketing role because he preferred it "*kept at a very high level*", and the CEO of Seaport #19 reported that he tended to focus more on relationship management because he has only 13 customers.

8.4.2 Tenure at the seaport

To assist in determining the respondents' knowledge of marketing activities within the seaport, they were asked about their length of tenure. As indicated on Table 8.7, respondents had an average of 5.87 years experience in their marketing-related position at the seaport (range = 0.04-18 years). Three respondents had less than one year experience in their position as CEO, however, each of them was very experienced in the seaport sector. For example, the CEO of Seaport #20 had many years of experience at that seaport before taking an interlude and returning as CEO. The CEO of Seaport #28, although being in the position for four months had worked with seaports for many years. In addition, he was open in explaining that a conscious decision had been taken to adopt a very low key marketing effort. The CEO of Seaport #23 (as Acting CEO) had "*inherited*" the position two weeks before conducting the interview, however, as he had been a member of the board of directors for four years, he was familiar with the seaport management and operations and had strong views on the need to broaden

marketing efforts. Overall, the length of tenure and their level of experience imply respondents had a sufficient level of knowledge of seaport management and of the relevant factors in the external environment that may influence marketing decisions.

8.4.3 Educational background

Of the 30 respondents, 21 had business-related qualifications including four that were primarily focused on marketing (Table 8.7). In terms of their highest qualification level, 11 of the 21 respondents had an undergraduate degree and ten had obtained a postgraduate award. Five respondents had both undergraduate and postgraduate qualifications in business (bringing the total of respondents with an undergraduate degree to 15). The majority of undergraduate degrees were either Bachelors of Business/Commerce or Bachelors of Economics. In relation to postgraduate qualifications, six of the ten postgraduate awards were Masters of Business Administration. Of the nine respondents without business qualifications, two were currently enrolled in a MBA program, two had engineering degrees whilst the remainder tended to have extensive experience within the maritime industry as well as having attended a number of short courses in relation to management. One respondent now aged 40, began working in the maritime industry after leaving high school, and had worked his way up to a senior position within his seaport but admitted:

I need to formalise my experience, I now need to get formal qualifications otherwise I will hit a glass ceiling, the first thing placement agencies look at is the qualifications. If you haven't got a piece of paper you don't even get past the interview or first cut because qualifications are the first cut. So I have now enrolled in an MBA.

- Senior Manager, Seaport #26

Of interest for a future study would be to contrast the above observation with the other eight respondents without any formal business qualifications, including three at the

level of CEO, as to whether formal qualifications will become an essential selection criteria for CEOs and senior managers in the future.

8.4.4 Summary of the profile of seaport managers

In general, the profiles of the respondents indicate they are in senior management positions with responsibility for marketing the seaport, are suitably experienced in terms of their tenure and/or knowledge of the maritime industry, and are well educated in business and marketing disciplines. This gives greater credibility to their responses, thus increasing the validity of the data. As a result of the varied positions from marketing managers and trade development managers to CEOs, it was not possible to make useful comparisons between their roles as many of the respondents tend to perform other duties besides marketing. However, it was argued by these respondents that all their activities were related to marketing in some way.

The following section moves beyond the general analysis of profiles of seaports and respondents in the census to focus more on seaport marketing. This is done by examining the seaports' impetus for marketing and reporting of the existence of formal marketing departments in Australian seaports.

8.5 THE EMERGENCE OF MARKETING

There tended to be two distinct views from respondents on seaport marketing. The first discussed marketing as being mostly related to promotions in terms of building awareness through advertising. However, as the CEO of Seaport #14 explained, *"marketing is not just about running around putting ads in the paper and radio"*. The second view recognised marketing as having four major components: promotions,

community liaison, business development, and CRM. This view was evident from the following description of one marketing manager's role:

Being the marketing manager, I am basically responsible for customer relationships, making sure we are meeting customer expectations, also for developing new business through existing port facilities, and also taking responsibility for our community relations as well.

- Marketing Manager, Seaport #3

In another example, the Marketing Manager of Seaport #2 explained that his role was primarily business development in relation to increasing existing business and gaining new business, as well as managing public relations aimed towards his local community. Another respondent described how marketing at his seaport was evolving from being purely promotions based to focusing more on developing business opportunities:

Marketing to me in the port industry is split into two distinct sections, what I call "public relations" and "business development". The public relations section is all the media, advertising, publications, brochures, promotional activities, displays, and exhibitions etcetera. Whereas the real marketing is the business development through identifying new opportunities and market sectors, then going out and talking to the organisations, companies and individuals that influence those markets or business. I hope my marketing efforts for the port are evolving from the public relations stage where we have tried to raise the awareness of the port through all the promotional activities to the actual cold marketing of face-to-face meetings with prospective port users.

- Senior Manager, Seaport #26

A similar evolution is apparent at Seaport #15 where the marketing department began as a public relations department, although it differs from Seaport #26 in that its focus still appears to be mainly promotions focused.

The development and management of customer relationships, which is the fourth component, appears to be an important activity in Australian seaports. However, CRM is not always recognised as being a marketing activity. For example, two respondents typified a narrow promotions-based definition of marketing:

Well it depends on what you mean by marketing as in a marketing campaign as such, I don't know if we have ever had a campaign like a standard or classic marketing policy but we certainly put in a lot of time and effort on a

regular basis with those using the port and our potential clients. So rather than marketing, it is keeping a good working relationship with the people who use the port and prospective clients.

- CEO, Seaport #19

We have people working just on customer relationships, but I am loath to say that is marketing as such, it is relationship building of customers and working with customers.

- CEO, Seaport #13

Although it is to be expected that respondents may define concepts differently, it was not expected that senior managers would have such differing views of marketing ranging from the very narrow to the broad. Care was taken by the researcher when reporting on respondent replies to compare them with their other responses throughout the interviews to gauge a more accurate understanding of their marketing activities.

Before discussing the range of marketing activities undertaken by Australian seaports (and thus partially addressing the first of the secondary research questions), the extent of marketing at a more general level was discussed in terms of the reasons seaports began marketing, the number of years seaports had been conducting marketing, and whether marketing departments existed. This may be useful for understanding the impetus for marketing and approximating how long marketing has existed in the Australian seaport sector. In addition, the existence or otherwise of a marketing department may explain how seaports have formalised marketing within their organisational structures.

8.5.1 The impetus for marketing

The majority of respondents explained that the primary reasons for beginning a concerted marketing effort related to there being a change in the seaport's governance or ownership structure and/or a rise in competitive forces (Item A.7). In particular, the commercialisation and subsequent corporatisation of seaports were cited as the major

incentives to begin marketing. According to respondents, corporatisation and a commercial charter encouraged seaports to be more accountable for trade throughput and increasing their revenues. This contributed to higher levels of competition because less cargo was considered captive as opportunities for diversification were further explored. The increasing competition and imperative for marketing as a means of business development was evident in the respondent replies shown in Table 8.9 as to why their seaport first began marketing.

Table 8.9: Reasons for beginning marketing of the seaport

Respondent	Comments
CEO, Seaport #1	<i>We first began marketing when we were corporatised, prior to that the port was seen as a statutory authority and once we were corporatised we took that commercial type charter of transport and development.</i>
CEO, Seaport #7	<i>Marketing is important because that is how we can find cargoes and make money for the port. That is being very hard-nosed and blunt about it as opposed to having a pretty image.</i>
CEO, Seaport #14	<i>The port needed to expand its trade so it could become financially viable and evolve from being a government department into a port authority. One of the strategies to build that trade was for the first time to begin marketing the port to not only its current customers but also to potential customers.</i>
CEO, Seaport #18	<i>...it was the case of, well now we are a regulatory authority, and that we really needed to be out there to compete and make customers aware of the opportunities that we provide.</i>
CEO, Seaport #25	<i>Marketing tends to come into being because of market forces.... The marketing efforts over the last five to ten years however have intensified, we now certainly take a much more proactive role than was traditionally the case. I think we were very reactive until about ten to 15 years ago and as we moved into corporatised environments we tended to identify opportunities and progress them.</i>
Marketing Manager, Seaport #8	<i>Really the impetus was becoming an independent port authority with its own separate board and that started around 12 years ago. In the last five years we have become a statutory corporation which has given us a lot more independence because the Maritime Services Board was disbanded, so it is really in the last five years that we have been probably a lot more serious about marketing in terms of going out to the marketplace though we were doing that before but being independent you can run your own race a lot more than we could before.</i>
Marketing Manager, Seaport #11	<i>After privatisation of the port, marketing became an essential part of port operations, whether they [seaport management in general] recognise that or not is another matter.</i>
Marketing Manager, Seaport #21	<i>There seemed to be a greater push for marketing after corporatisation because as a corporatised entity it had to stand on its own, it needed to be a commercially viable organisation, it increased its focus on its customer service, one of the purposes of corporatisation was to drive a more efficient and competitive business.</i>
Senior Manager, Seaport #26	<i>...there was an acknowledgement that the port has to focus on its trade development and expand its shipping services and greater cargo throughput.</i>

Four other respondents attributed the reasons for instigating marketing to the arrival of a new chairperson, board of directors and/or CEO who were in the words of one respondent *“very marketing oriented and could see marketing had to be introduced for us to be competitive and grow our business”* (Marketing Manager, Seaport #2). Another respondent highlighted how a change in State/Territory government was able to influence the direction of the CEO and board of directors in relation to marketing by explaining how:

...back in the early days of the former government [five years ago] and when port reform occurred, the port was purely a landlord port authority and they took that meaning literally and at one stage the previous CEO said that shipping lines and cargo owners weren't customers of the port. The only customers deemed to be customers were those who leased land from us. That was back in the bad old days, however, with the new CEO and new board and the new government, some of the focus is on cargo and shipping lines, we have really cranked up our marketing efforts in that regards. By not conducting marketing in the past put us out of kilter with port philosophies around the world and indeed our competitors. The new government did not need much convincing, they were very supportive.

- Senior Manager, Seaport #29

Table 8.10 indicates that over half the respondents believed their seaport had been marketing for ten or more years, and 40.00 per cent for less than ten years. However, as raised earlier, as the definitions of what constituted marketing varied, it was found throughout the interviews that in many cases respondents had been limiting their views of marketing to advertising activities. Throughout the interviews, the majority conceded that it had been only in the past five years or so that they considered (in their words) *“real marketing”* was being conducted, which generally coincided with corporatisation. Respondents gave examples of there being little coordination of marketing activities until then and instead marketing was primarily relegated to placing advertisements. For example, a typical response about marketing efforts was:

To the level we do it [marketing] now, only two to three years. Before that it was more a shotgun approach producing a lot of advertising and standard annual reports and corporate brochures, and annual customer

presentations. But there was no real feedback in trying to ascertain if we were hitting the mark or not from our internal and external customers as we call them.

- Senior Manager, Seaport #27

Only one respondent claimed his seaport did not undertake marketing activities. Upon prompting however, it appears that at least some promotion is undertaken because he explained:

We haven't totally cut ourselves off from the world, we just like to remind people that we are on the map, so occasionally I will talk at a conference and occasionally we will put an article in an appropriate magazine.

- CEO, Seaport #22

Table 8.10: Use of marketing in Australian seaports

Criterion	Category	Mean (\bar{x})	Range	No.	%
Conducting marketing (yrs)		11.20	Nil to 40		
	Nil			1	3.33
	1-3 years			2	6.67
	4-9 years			10	33.33
	10+ years			17	56.67
Marketing department	Yes			13	43.33
	No			17	56.67
Employees in marketing department		5.15	1 to 14		
	Nil			17	56.67
	1-3 employees			6	20.00
	4-5 employees			3	10.00
	6-10 employees			2	6.67
	11+ employees			2	6.67
Title of department (of 13 seaports)	Marketing			2	15.39
	Marketing variety			4	30.77
	Commercial/Bus devt			7	53.85
Others undertaking Marketing as well	Yes			21	70.00
	No			9	30.00
Marketing budget (% of total budget)			Nil to 10		
	Unsure			1	3.33
	Nil			1	3.33
	≤1 %			13	43.33
	≤3 %			6	20.00
	≤5 %			6	20.00
	≤10 %			3	10.00

Source: Appendix H - Items A.6, A.8-A.11, A.14

It appears that the change in seaport governance or ownership, and increasing competition were major factors in encouraging the development of marketing, which, for some seaports, included the appointment of marketing focused positions (as

discussed in the following section). On the whole it appears that seaport marketing is still a relatively new activity and although some seaports suggest marketing has occurred for over ten years, in many cases this relates to promotional activities. In general, concerted efforts appear to have existed on average during the last five years. The existence of more established marketing practices in only recent times might be one reason why researchers in the past have shown little interest in seaport marketing.

8.5.2 Marketing departments in seaports

Although 13 respondents reported the existence of a marketing department (Table 8.10) there are two caveats relating to their size and titles. Firstly, in three seaports, the marketing department consisted of one employee who in each case was the marketing manager. It could be argued whether this constitutes a department, nevertheless, each manager had a marketing title, undertook marketing activities, and received assistance from other managers. Overall, marketing departments tended to be small with nine of those 13 seaports employing less than six marketing staff. Seaports employing over 50 staff appeared to be more likely to have dedicated marketers although there were a few exceptions. For example a seaport with 21 employees had a marketing department consisting of one manager, whilst another with 75 employees, although not currently operating with any marketers, is planning to establish a marketing department. Two other seaports (Seaport #25 and Seaport #16) both with 65 staff preferred to outsource specific marketing activities such as advertising, whilst keeping CRM activities in-house.

The second caveat is that marketing departments in seaports used a variety of titles. Two seaports used “marketing department”, whilst four of the 13 combined the word marketing with strategic development, community relations, or corporate

For many seaports is considered. The business development activity of marketing is reinforced by the CEO of Seaport #25 when he explained:

A great deal of what we do nowadays in terms of project development and implementation is not what I would refer to seven years ago as marketing.

All but three respondents agreed that marketing of the seaport should be part of everyone's job (Item D.3: 90.00 per cent) provided a senior manager took prime responsibility. However, the marketing focus by respondents tended to be on customer liaison, for example:

I would say we have 20 employees in marketing because everyone is involved in marketing the port, everyone is involved in talking positively about the port, about operation integrity, everyone contributes to making this port someone we are good to do business through.

- Marketing Manager, Seaport #11

I do expect all our staff to take some involvement in marketing. I expect all staff to take an interest in their customers and know what the customers' needs are.

- CEO, Seaport #24

Because marketing is across everyone in the organisation, it's not only the commercial managers interacting with the customers, my engineering manager is still working with customers on maintenance programs, my environmental manager is working very closely with customers on environmental programs. So this marketing role is one that is stretched right across the whole Corporation, I would be concerned if it was driven from just one area.

- CEO, Seaport #13

I guess we have tried to build an attitude within the port that everybody that works here is a customer relation's officer and so everyone in the port has some responsibilities for marketing, but formally it resides with me.

- CEO, Seaport #14

The CEO, Seaport #14 added that customer relation's officers included the stevedores because they have a "continual interface with all our customers".

Whether or not seaports have marketing departments, with the exception of Seaport #6, all the respondents claimed they had a marketing budget (Table 8.10), including the

respondent from Seaport #22 who suggested marketing was not used, yet had a budget of one per cent or less of the total seaport's budget "*just for a few odds and ends*". The marketing budget as a proportion of the total budget was used to provide some degree of relativity between seaports rather than asking for a dollar figure. It was perceived that using a dollar figure would yield little value due to the vast differences in ports (as represented in Table 8.5). However, the wide variance in seaports may have still distorted the results. For example, seaports with large expenditures in relation to production and shiploading may show marketing expenditure as a percentage of the total budget as being relatively small when compared to seaports with lower throughput and hence smaller production and shiploading expenses. In addition, many seaports have large expenditure related to maintenance and depreciation. Fifteen seaports had marketing budgets of greater than one per cent including three seaports with budgets between five and ten per cent. These seaports were earlier classified in Table 8.6 as being small (Seaport #7) or medium size seaports (Seaport #2 and Seaport #25) rather than the larger seaports. Five seaports were able to provide their exact marketing budget figure with the remainder providing an approximation.

A concern is that at least six respondents claiming a figure of less than one per cent of budget did not appear to have a formal marketing budget but instead were reporting some adhoc expenditure on marketing-related activities. To accurately compare the marketing budgets, further details would be required because it is not clear how encompassing the budget is, for example, some may have included salaries of marketing-related staff whilst others may have only considered promotional activities. Seaport #25 for example, included components of project development and implementation as marketing expenditure, thus reinforcing the trade development emphasis of marketing in seaports. Respondents also noted travel expenses and salaries

communication (Table 8.10). The remaining seven seaports used the titles of business development, commercial, or strategic and commercial development departments. One respondent commented how the business development department was “*a fancy name for marketing*” (Senior Manager, Seaport #17) and tended to be used in the seaport sector in place of marketing. The CEO of Seaport #24 however, explained that the marketing department used the title of strategic and commercial development because in addition to marketing, customer liaison, and trade and business development, “*they go beyond the marketing plan by cementing the deals*”. One seaport however, preferred the use of shipping and logistics and explained:

...it is really business development/marketing, we only use the title because in such cultures that we deal with, particularly Asian cultures, the term marketing is not very helpful in terms of building and developing relationships, they just see it as sales ... it puts you at some difficulty at times to get appointments with the relevant people. Yes it is the marketing department, but we actually dissect it a bit and go into shipping and logistics.

- Senior Manager, Seaport #29

Within the marketing department or marketing-related activities, seaports employed a diverse range of positions. As shown in Table 8.10, 70.00 per cent of respondents replied that others in the seaport also performed marketing-related activities. In seaports with marketing departments (regardless of their title), typical positions were marketing communication managers (incorporating community relations, media, and public relations managers), market analysts, business/trade development managers, and account executives. The activities undertaken by the above positions also tend to reflect the primary marketing activities raised at the beginning of this chapter - promotion, community liaison, business development, and CRM. An unexpected role of some marketers was that of being a property manager in relation to leasing land and warehousing. However, this fits the business development activity of marketing particularly when the amount of revenue that was generated by property management

as being a major component of expenses. Estimates of spending \$150,000 on “marketing surveys” and \$50,000 on advertising over the past year were also provided (Seaport #25). Respondents noted their concern at the small proportion allotted to marketing particularly those who lauded the importance placed on marketing in the seaport. For example one respondent commented “*we bang the drum of marketing but we don't appear to march to the tune*” (Senior Manager, Seaport #6). A comment from another respondent perhaps sums the views on marketing budgets when he noted his was:

...less than one per cent, less than our total fuel budget for the year, so you really have to wonder what the priorities are.

- CEO, Seaport #26

All 13 seaports that have marketing departments unsurprisingly indicated that a marketing department was needed (Item A.21), and in addition, the CEO of Seaport #20 strongly agreed that a marketing department was necessary although as yet one did not exist. A number of views were offered as to why a marketing department was required, these are shown in Table 8.11. The marketing role appeared to be viewed as being a coordinator of activities creating interest in the seaport through to ensuring the contracts are signed. As the CEO, Seaport #20 explains, “*someone needs to be in the middle of all this to make sure it comes together at the end of the day*”. The marketing people in seaports also appeared to be the point of contact for customers indicating the marketers are taking on a CRM role in addition to promotions.

The majority of the remaining 17 seaports agreed that although a marketing department was not necessary for their seaport, there was a definite role for marketing. As one respondent explained:

There is no need [for a marketing department], we have staff of about eight people, we are probably too lean at the moment, this is the reason why we

are very bad at this community consultation and participation and selling our message. We don't have the systems and resources in place; ultimately we need to do a lot more than that. I could never foresee us having a marketing department, but I could see significant pieces of people's roles being devoted to what you might call local marketing and external marketing, there is no question that a lot needs to be done there.

- CEO, Seaport #23

Table 8.11: Why a marketing department is required in a seaport

Respondent	Comments
Marketing Manager, Seaport #3	<i>It is having a point of contact for customers, they basically know they can go to one person or one department, so if they have issues they can go to that department and they know that they only have to get in contact with that area and the issue will be sorted. Because we are handling these people's cargo, the main thing we have found is that when they have got issues they come directly to the marketing area and we sort it out for them.</i>
Marketing Manager, Seaport #9	<i>The marketing department is the link between what our customers' needs are and operations, the business could not function without us.</i>
Marketing Manager, Seaport #15	<i>A marketing department is what keeps you in touch with not only the market, the environment, and customers. So if you take that out of the scenario you have got departments that are financially driven, engineering driven, operationally driven, but are they customer driven, and I would say they are not. Those people I have mentioned do not have the skills, they are not marketers, and they don't always look at things from a marketing perspective. They have never worked anywhere where they have been exposed to good marketing, they just don't understand the benefits that can be delivered by a good marketing program.</i>
Marketing Manager, Seaport #21	<i>They [marketers] act as a liaison between industry and stakeholders and interpreting their needs and being able to articulate those needs across the organisation and keeping a strong sense about the industry and what the industry demands will be so we can plan our infrastructure and our port capacity and delivery of the port's services.</i>
Marketing Manager, Seaport #8	<i>We need a marketing department because we are running a port that is totally commodity based and we are losing business and we need to diversify our trade and we also have a lot of vacant underutilised assets that we need to generate interest in. We need a marketing department basically to grow and diversify our business.</i>
Senior Manager, Seaport #26	<i>...no-one else is going to promote your facilities and services and developments to the local, national and international client.</i>

Source: Appendix H - Items A.21 and A.22

The main reason provided for there being no marketing department was due to the small size of the seaport and thus the feasibility of being able to afford a dedicated marketing manager. These respondents explained the marketing role had been subsumed within a range of positions including the CEO and other senior managers and that marketing should be the responsibility of all employees. Respondents from Seaport #22 and Seaport #28 however, indicated that marketing was not a high priority in their seaport

because there was little or no competition because they were in monopoly positions with a fixed number of customers. Of interest however, was that these seaports are also attempting to diversify into cargoes in which they did not have a monopoly, so it remains to be seen whether marketing efforts will increase to attract and retain new cargoes.

It would appear that aside from seaports that tend to have a marketing department, the role of marketing is being devolved throughout the seaport and was at least being shared by a number of senior managers. This was evidenced by 73.33 per cent of respondents (Item A.16) who reported that marketing information is shared throughout the seaport. Three other items (Items A.17 to A.19) relating to marketing people interacting with other departments and managers were supported by at least two-thirds of respondents.

Overall it appears that marketing has only recently been implemented on a comprehensive basis often due to the effects of corporatisation and competition, although there is evidence that seaports have been undertaking some marketing activities such as promotion for much longer. Marketing is formalised in a number of Australian seaports via a marketing department and/or employment of marketing specialists, even if some of these are outsourced positions. However, marketing departments and managers are not always readily recognised because of the preference for using commercial/business/trade development nomenclature instead of marketing. In essence, this is indicating a much a wider role of marketing in seaports that incorporates promotion, community liaison, business development, and CRM. One reason for this may be the emphasis placed on trade facilitation by many seaports that encourages not only attracting new business but also increasing the usage by current customers. Additionally some seaports have sought to segregate promotion and even

community liaison from the “marketing” department by forming a department focused on corporate communication. This appeared to include communication with stakeholders as well as advertising. Specifically the activities of these type of departments are media releases and publicity, advertising, sponsorships, developing the annual report and other publications, website and brochure development, internal communication with employees, and enhancing relations with the local community. As one CEO explained, if the seaport was to develop it was necessary to market it as a valuable economic resource and responsible corporate citizen.

8.6 SUMMARY

The purpose of this chapter was to report on the results of the census of respondents from Australian seaports in relation to the census administrative issues and profiles of the respondents and their seaports, as well as identify reasons for the growth of marketing. A 100 per cent response rate was achieved giving credence to the research being a census of all commercial Australian seaports. Although government departments publish a range of data on Australian seaport demographics, they are usually related to economic measures. Profiles of senior seaport managers are less accessible as are the range of trade and financial measures explored in this study. Further, much of the data in previous reports focus on the major capital city seaports and only some of the larger bulk seaports. Therefore this study, perhaps for the first time, presents data that have been collected on all seaports and marketing-related senior managers. As discussed in earlier chapters, this study appears to be the first empirical study of marketing in Australian seaports. The developed profiles of all the relevant seaports and senior managers is instrumental in ensuring a solid foundation to the study and providing key variables for possible stratification for further analysis.

The analysis indicated that marketing beyond advertising for the majority of seaports has occurred within the last five years as a result of changes in seaport governance and ownership and the ensuing increasing competitive environment. Marketing departments were found to exist in less than half of Australian seaports and were more likely to have been established in seaports employing over 40 full-time staff. The use of marketing in the title of the department is not commonplace which may instead reflect the primary marketing activities in seaports of business development and community liaison in addition to promotion and CRM. The following chapter extends the discussion on marketing by Australian seaports by examining them under ten broad marketing dimensions.